Senegal elections a test of African democracy, Page 4

No. 30,466

EUROPE'S EUSINESS NEWSPAPER Wednesday Cebruary 17/1988

pared with a similar charge of \$89m.

The group's non-tyre business includes car retail repair and maintenance centres and diver-

from Firestone.

It had been planning to extend this to production of car tyres there with an investment of up to Y10bn (\$76.9m) over the past for y20cm aiming to

Consolidated sales last year

are expected to have reached some Y800bn, of which around four-fifths will have come from

its main business – Bridgestone

also produces chemicals and sporting goods. Net profits are forecast at Y22bn.

D 8523 A

#### World News

#### Ford strike likely to end as deal is reached

Leaders of Ford's 32,500 manual workers agreed to recommend a two-year pay deal worth at least 14 per cent and to call off the national strike that has shut the company's 21 UK plants for the last nine

days.
A deal was reached after nine-and-a-half hours of talks. The dispute has cost the company more than £140m (\$238m) in lost production.

**New Hampshire poll** New Hampshire voters went to

New Hampshire voters went to the polls in the first of a string of US presidential primary elec-tions. Vice-President George Bush running neck-and-neck with Senator Robert Dole for the Republican presidential nomination as polling started. Temple bomb kills 7 Two bombs exploded in a

crowded Hindu temple during a religious festival in the Sri Lan-kan capital Colombo killing at least seven people and injuring 13 others. Sri Lankan politi-cian killed, Page 3 AIDS drug approved The US Food and Drug Admin-

istration (FDA) approved use of an experimental drug, trimean experimental drug, trime-trexate, to treat some AIDS patients suffering from a deadly form of pneumonia. Page 4 Brazil air strike ends Brazilian commercial pilots

ended a 72-hour national strike but threatened to resume it on March 9 if their demands for a 65 per cent pay rise were not

Algerian reshuffle President Chadli Bendjedid of Algeria has reshuffled his Cabi-net. Page 4

Senegal poll tension Tensions are building in the campaign leading to the Senega-lese presidential elections, amid opposition party calls for revision of the electoral code. Page

#### Students protest

Nigerian military government closed two university campuses after hundreds of stone-throwing students broke through olice barricades in protest the arrest of nine student lead-

Angola-S Africa clash Angolan and South African troops clashed near a southern Angolan garrison town. At least four Afrikaner conscripts were

#### killed. Page 3 **UK-Ireland talks**

British and Irish Ministers met in Belfast in an attempt to pre-vent a further deterioration in relations between the two coun-

Shamir peace warning Israeli Prime Minister Yitzhak Shamir said that the US wanted to complete talks on a Middle East peace plan before President Reagan's term ended but a quick settlement would be diffi-

Kohl to visit US Chancellor Helmut Kohl flies to

the US today for talks with the Reagan Administration expec-ted to reveal differences over the next steps in disarmament.

#### Cyprus confrontation

The second round presidential election contest in Cyprus began to crystallise into a confrontation between left and right. Page 2

Contra cash 'useless'

Nicaragua said its currency change had caught US-backed Contra rebels unaware, leaving them with billions of worthless old bank notes stranded outside the country. Page 4

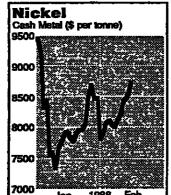
#### **Business Summary**

#### Compaq in challenge to IBM software

COMPAQ COMPUTER. leading US maker of IBM-compatible personal computers, will mount a new challenge to IBM's lates Personal System/2 personal computers with the announcement of new software and per-formance claims to negate the advantages of IBM's technol-ogy. Page 21

JOHNSON & JOHNSON, leading US maker of health care products, has agreed to pay \$726m for most of the assets of Playtex, US personal products and women's underwear group taken private in a leveraged by the statement of Page 1998. buy-out 14 months ago. Page 21

LONDON Metal Exchange nickel market's relentless upsurge continued as supply worries and low stock levels



minds. The cash quotation's £167.50 (\$96.30) rise to £8,717.50 a tonne extended the latest bull run to six trading days. Page 30

WALL STREET: The Dow Jones industrial average closed up 22.71 at 2005.97. Page 42

LONDON: Unenthusiastic UK markets digested news of a \$6.3bn (\$11bn) PSBR surplus and continued to drift. The FT-SE 100 dipped 4.6 to 1,734.6 in thin turnover. Page 38

TOKYO: Strong interest in demand-related and biotechnology stocks helped push share prices higher for the fourth consecutive day. The Nikkei at 24,345.66. Page 42

DOLLAR closed in New York at DMI.7100; Y130.40; FFr5.7780; SFr1.4040. It closed in London at DM1.7080 (DM1.7070); Y130.20 (Y130.05); FFr6.7725 (FFr5.7650); SFr1.4020 (SFr1.4035). Page 31

STERLING closed in New York at \$1.7465. It closed in London at \$1.7480 (\$1.7480); DM2.9850 (DM2.9800); Y227.50 (Y227.0); FF10.0900 (FF10.0650); and SFr2.4500 (unchanged). Page

ELDERS IXL, Australian brewing, agri-business and finance group, said it expected good full-year results after reporting an 83 per cent surge in net earnings and a 61 per cent rise in revenues for the six months

to December. Page 23 BEAR STEARNS, large Wall Street brokerage company, made net profits of \$36.8m or 40 cents a share in the three months to January 29, which represented a decline of 38 per cent on the same quarter a year

earlier. Page 21 TOYOTA MOTOR, Japan's largest car maker, reported its first increase in interim profits in two years. Page 23

BOND CORPORATION, brewing, media and property group controlled by Mr Alan Bond, Perth businessman, has reported net profits of A\$109.2m (\$77.7m) for the six months to December, more than double the A\$52.6m for the same period in 1986. Page 23

TNT, Australian-based international transport group, reported a 35.5 per cent increase in equi-ty-accounted earnings for the ix months to December thanks to higher UK profits. Page 23

FRAMATOME, French nuclear power plant builder, has launched its long-expected counterbid for Télémécanique, industrial automation company. Page 22

# Japanese company buys out Firestone tyre operations

Pirelli was planning to takeover Firestone's tire business. The

Italian group had denied the rumours on Monday. However,

the stock closed up \$9% to

\$45% on the announcement.
Firestone also adopted yester-

All Firestone's worldwide

All Firestone's worldwide tyre-making operations, accounting for some 65 per cent of the group's total sales, will be taken over by the venture which will be operated as a "relatively autonomous" unit with its headquarters in Akron. It will have a separate board with members drawn from both

with members drawn from both

the second largest US tyre maker, is to put its worldwide tyre operations into a joint venture to be majority-owned by Bridgestone, its Japanese com-petitor in global markets.

petitor in global markets.

The announcment yesterday by the Akron, Ohio company, marked another huge step in the restructuring forced on the US tyre industry by foreign competition and corporate raid-competition and corporate raid-amous names as Goodyear, will take a 75 per cent stake in Uniroyal and Goodrich have either drastically shaken up their operations or quit the tyre business completely.

Firestone also adopted yesterday a "poison pill" shareholders rights plan to ward off hoscille takeover threats.

The company will transfer to the new joint venture assets and liabilities with an equity value of \$1.5bn. Bridgestone will take a 75 per cent stake in the venture, which will have initial financing of \$750m of business completely.

Mr John Nevin, Firestone's chairman, said the "expanded technical and financial strength" of the joint venture would "materially" improve job security for the company's tyre workers. Akron is a company town for the US tyre industry with most of the leading rubber companies based there.

Firestone will raise nearly \$1bn in cash from the transaction, which it intends to distrib
October, Firestone reported net exports - which account for

tion, which it intends to distribute to holders of its 32m compositions from continuing about a quarter of its turnover mon shares.

Its stock showed no initial response in New York to the year earlier, on sales of \$3.87bm advance. It has a licensing news, however, because it had against \$3.5bm. The latest arrangement with Goodyear, yesterday on rumours that cturing charges of \$18m comtexports — which account for turnover about a quarter of its turnover operations of \$103m, or \$2.81 a — Bridgestone has been undertaking a rapid technological advance. It has a licensing already risen \$4% to \$40 earlier year's profits were after restruore of Firestone's main domestic competitors.

STANDARD Chartered Bank of

of Tokyo.

resources.

gauged.

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

**Standard Chartered sells Union Bank for \$750m** 

Standard estimated that the takeover bid for Standard Char-STANDARD Chartered Bank of the UK announced last night ratio of equity to assets would improve by 70 basis points (or Bank, its California subsidiary, for \$750m in a move to strengthen its capital position.

The purchaser is First California Bank, a 77 per cent owned subsidiary of the Bank of Tokyo.

Standard estimated that the takeover bid for Standard Chartered in 1986, Goldman Sachs, Standard's US advisers, valued Union Bank at \$800m-\$900m.

Mr McWilliam said the sale had been made through an auction initiated last September. Some potential bidders had been shaken out by the October other for the Chief executive, declined to give

chief executive, declined to give market crash, but there were expected for some months, is the bank is in the process of part of a major strategy of finalising its 1987 accounts. asset disposals launched by But he said that Standard's capital position was now "man-"aguite a demanding price" for 1980 price ageable".

These are needed to replenish aged, though the bank would its reserves, which were still use "good housekeeping" to depleted by \$4.00m of provistrengthen the group further. sions which Standard made Mr Terry Smith, banking anagainst doubtful Third World lyst at London securities and loans last August. These left Standard among the most weakly capitalised of the major investment group Barclays de Zoete Wedd, estimated that Standard's equity to assets ratio would rise to 4 per cent as The sale follows the disposal last month of Union's sister a result of the sales, which he last month of Union's sister described as "barely adequate".

bank in Arizona for about Other clearing banks are closer

to 5 per cent.

Mr Smith commented that Standard said last night that the combined sales would Standard would have to make increase its shareholders' funds further disposals and possibly a increase its shareholders' funds by \$77m while reducing its total assets by \$6.3bn.

Together, these changes would achieve "a significant improvement" in the group's capital ratios, the measure by which a bank's strength is gauged.

further disposals and possibly a rights issue. Standard said that the sale price of \$750m represents a multiple of 13.3 times the said possibly a rights issue. Standard said that the sale price of \$750m represents a multiple of 13.3 times of 1986 and 1987.

At the end of last year, Union had net assets of \$590m. At the time of Llovds Rapk's abortion

time of Lloyds Bank's abortive

The sale marks the final retreat by the UK banking com-munity from California, once considered the golden destina-tion of the finance industry. Midland Bank, Lloyds Bank and Barclays Bank have all sold subsidiaries in that state in the

last two years after failing to make headway. Ironically, Union Bank was considered to be the most suc-cessful acquisition made by a UK bank in California. Standard bought Union in

1979 to provide a new avenue was winding down its traditional reliance on Africa and other former colonial markets. The sale will leave Standard with its main operations in the UK, Africa and the Far East.

## Xerox customers to assess pay

The scheme, believed to be without precedent, will apply at first to Rank Xerox's top 130 three questions. Are they satisfied three questions. Are they satisfied the satisfied three questions.

satisfaction is our number one priority."

PAY RISES for the top European executives of Rank Xerox, the Anglo-American photocopier and office systems trees this November. The first, group, will depend from this to be carried out by an independent of their performance.

The scheme believed to be the performance of the control of the

European managers, but it is fied with Rank Xerox's prod-hoped to extend it to about ucts and services? Would they 600-700 managers, possibly buy more products from Rank from next year. Xerox? Would they recommend Previously, the pay of the a Rank Xerox product to a busi-company's top managers has ness associate?

The second, internally admin-

assessment of their individual istered, will be of customer loyperformance. Mr Roland Mag-alty. Each Rank Xerox national nin, Rank Xerox's managing subsidiary will be studied to director, said he was replacing see how many customers it has this system because "customer retained in the past year. The top half-dozen executives in the company's 15 European ecutives subsidiaries will then either not receive any pay rise at all or an award of up to 8 per cent, depending on the results in their particular country. The 40 most senior executive company's European headquar-ters based in England will receive increases equal to a weighted average of rises in the individual subsidiaries.

Executives in countries with exceptionally high inflation or eral salary movements are also likely to receive a topping

Rank Xerox started working on this idea about six months ago. Mr John Pearce, the company's international remunera-tion manager, said: "It was quite a long process. A team was set up to look at it."

#### **Austrian** Chancellor says he will remain in office

By Judy Dempsey in Vienna and Peter Riddell in London

TWO DAYS of tense and bit

ter discussions within Austria's Socialist-led coalition Government ended yester-day with a decision by Mr Franz Vranitzky, the Anstrian Chancellor, not to resign – at least for the moment – over the row maintenance centres and diversified rubber products.
Gordon Cramb writes: Bridgestone, which makes half the
car tyres sold in Japan, is
already ranked by some estimates as third largest manufactuerer in the world. The company has a bus and truck tyre
plant in the US, which it bought
from Firestone. about the wartime activi-ties of Mr Kurt Waldheim, the country's President.

His announcement that the Government would in the short term work with Mr Waldheim forestalled a major political crisis. It coincided with a British Government decision to re-Government decision to reexamine official files on possible links between the execution of British servicemen in Greece in 1944 and Mr Waldheim, then a lieu-tenant in the German army.

The move was announced by Mrs Margaret Thatcher to the House of Commons. In Vienna, Mr Vranitzky had talks yesterday morning with Mr Alois Mock, the Foreign Minister and head of Mr Waldheim's People's Party, the junior partner in the coalition.

After a cabinet meeting, Mr Vrantizky repeated that he might yet quit if the situ-ation became untenable in the wake of the report by an international commis-sion of historians which found that Mr Waldheim had lied about his wartime

activities.
Mr Waldheim has already said he would not stand down as President despite the commission's findings. Mr Vranitzky was again highly critical of Mr Wal-

nignly critical of Mr wai-dheim yesterday.

"We are faced with an enormous problem. We must meet the challenges facing us and try to persuade the President to stop using the tactics of isolation and of insularity."

His decision to remain as

Chancellor would not "solve the issues," he said. He could not guarantee that the left-right coalition would still be intact on

March 11, the anniversary of the Anschluss, Germany's Because it had found no evidence that he had been personally guilty involved in war crim here were no grounds for

his resignation.

The British inquiry will review the results of inves-tigations carried out in 1986 by the Ministry of Defence into the fate of

Continued on Page 20

Name. **Position** 

Company.

Address.

#### **GORBACHEV TO VISIT UK**



SOVIET leader Mikhail Gorbachev (right) yesterday con-firmed to British Foreign Secretary Geoffrey Howe his warm acceptance" of an invitation to visit Britain. Both men described their talks as marking a continued and striking improvement in Anglo-Soviet relations, write Robert Manthner and Charles Hodsgon from Moscow. The date of the visit remains to be fixed through diplomatic channels, but Mr Gorbachev made it clear at the start of 2½-hour talks with Sir Geoffrey in the Kremlin's gilded Catherine Hall that it was just a question of finding the right time. Sir Geoffrey, who also had more than five hours of talks and a private dinner with Soviet Foreign Minister Eduard Shevardnadze, said at a press conference that his meetings with the Soviet leaders had been "extremely worthwhile, detailed and businesslike, and conducted in a friendly and plain-speaking spirit". The British Minister, who last night flew to Kiev for the last day of his four-day visit, said that he was more than ever convinced of the need for "realism, vigilance and an open mind" in approaching Fast-West relations. The West mind" in approaching East-West relations. The West should be receptive to changes in the Soviet Union and the opportunities they represent, while remaining watchful that current Soviet thinking was not just "old wine in new

Details of talks, page 2; Kohl to Washington, page 20.

## World Bank agrees capital base boost

per cent from member counrequest the funds as part of its
tries. Otherwise, he warned, the fiscal 1989 US budget package,
IMF's capital base would shrink and a Congressional vote could
in real terms.

Together, they indicated ing for 2% years. The way was renewed vigour among the twin cleared last September when Mr to expand efforts to solve the retary, announced US support. Third World debt crisis.

terday reflects broad agreement among members, particularly the US, over their respective share of the bank's capital total capital base to \$171bn The American share would be just under one-fifth, consistent with its vote in the organisa-tion, but only 3 per cent is problems.

THE BOARD of the World Bank will this week approve a plan ble", that is i an obligation of for a \$75bn boost to its capital base, the bank's president Mr Barber Conable said yesterday.

In Washington, Mr Michel Camdessus, managing director of the International Monetary Fund, said he was looking for a quota increase of more than 50 per cent from member coun-

The two announcements came during addresses to the Bretton day was largely the start of a public sales pitch to Congress panel set up to promote international economic cooperation.

Mr Conable's speech yesterday was largely the start of a public sales pitch to Congress to approve the capital increase which the bank has been seek-

Mr Conable's statement yes strengthen programmes to erday reflects broad agreement attack poverty in the Third mong members, particularly World, and to make sure that countries enhanced rather than retarded prospects for the poor. Mr Camdessus said he wanted a "constructive and collabora-tive" relationship with the World Bank on tackling debt

#### **HEAD FOR** HAMPSHIRE ~A STEP IN THE RIGHT DIRECTION

"More office for your money" - when you step up SOUTHAMPTON	4
to a new administrative centre in South Hampshire. Ask the Hampshire Development Association	
for a copy of the independent study by	
Coopers & Lybrand Associates on South	Æ
Hampshire which reports that	7
*property costs in South Hampshire READING are considerably lower than	1
those current in central	-7
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Please send me a copy of the Coopers & Lybrand report.  Post this coupon to: The Hampshire Development Association, 13 Clifton Road, Winchester, Hampshire SO22 5BS or call Winchester (0962) 560	<b>Y</b> (1)

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Europe	2
Companies	22 4
Companies	21
Overseas Companies	
World Trade Britain	6
Companies	26-28
A	70

Intl. Capital Market

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KOHL BRINGS **BONN'S** SOVIET DOUBTS TO

WASHINGTON

Technology: GEC-Plessey rethinks its tele-The West German Chancellor is expected to put forward fears of a Soviet military threat, Page 20

South Africa: health service pressures erode medical apartheid Editorial comment: Waldheim should go; Lord Cockfield asks too much . World bullion prices: putting a future value on gold .. Franco-British relations: time to stress the common interests. Lex: UK public spending, Standard Chartered; Elders/IXL; Yorkshire Bank ........... 20

Survey: commercial paper ...... sep section Survey: building \_

مكذا من الأصل

## Mitterrand to head delegation to Nato summit

PRESIDENT François Mittertand of France will lead the French delegation to next month's Nato summit in Brussels, he atmounced yesterday on French television.

The summit has been called to discuss alliance arms control policy, in response to last December's 118-Soviet agree-ment to remove all Intermediate-range Nuclear Force (INF)

ate-range Nuclear Force (INF)
missiles from Europe.
It will be the first time that a
French president has attended
a Nato meeting in the 22 years
since General Charles de Gaulle
took France out of Nato's integrated command structure in
1066

President Mitterrand's decision, therefore, underlines the political importance attached by French authorities to the symmit, scheduled for March 2

Mr Mitterrand said yesterday that the summit would be "very important," and would be intended to "define the disarmament policy" of the alliance.
"I must be there," he said. "I
must represent France and France must speak with a sin-

gle voice." The French President is expected to use the opportunity to join the rest of the alliance in expressing formal approval of the US-Soviet Euromissile

agreement. The European allies have felt varying degrees of misgiving over the agreement, at least partly out of fear that it could signal a weakening of America's nuclear commitment to the defence of Europe.

The chief purpose of the summit is to express support for the agreement and at the same time prepare a joint position in advance of the next Reagan-Gorbachev summit which is expected to centre on a projected 50 per cent cut in the



President Mitterrand: going to Nato

President Mitterrand is also likely to insist on the long-standing French position, that there can be no question of submitting France's nuclear arms programmes to negotiation between the superpowers, at least until they have made much larger cuts in their nuclear forces than current pro-posals would indicate.

He is also expected to argue against Soviet suggestions that the superpowers should eliminate short-range as well as intermediate-range nuclear missiles from Europe.

In addition to the real importance he attaches to the arms control issues at stake, President Mitterrand's decision to attend the Nato summit may also be partly motivated by electoral considerations.

He has still not publicly declared whether he is standing for re-election in the forthcoming presidential elections; but many observers believe that he will, in which case his image long-range strategic nuclear will have been strengthened by weapons of the two superpowhis participation at such an important alliance gathering.

## Probe widens into theft of Nazi files

BY LESLIE COLITY IN WEST BERLIN

Konrad Kuráu, a convicted forger, to ascertain whether the men knew how files on Nazi party members had made their way from the closely guarded document centre to West German dealers in Nazi

The US mission in West Berlin said yesterday the centre had suffered the loss of some 30,000 documents but that copies existed of all the stolen material as far an could be determined. The German Dep-uty Director of the Centre - run by an American appointee of the State Department - was pre-viously suspended, although officials said he was not being

The Americans were to have handed over the centre to West Germany after microfilming files but this has been only half completed, officials said.

German newspapers have
GA) as well as the Nazi High
doubted whether the Bonn GovTribunal and party correspondoubted whether the Bonn Gov-ernment wants jurisdiction over

WEST BERLIN justice officials investigating the theft and sale of thousands of Nazi personnel files from the US-run Berlin Document Centre have questioned Mr Gerd Heidemann, a reporter who was convicted of selling forged "Hitler diaries" to Stern Magazine.

The officials said they questioned Mr Heidemann and Mr

city's Jewish community.

Mr Galinski said earlier he suspected the stolen files dealt with highly incriminated per-

Allied officials in West Berlin said it believed that stolen per-sonnel files from the centre were used to blackmail promi nent ex-Nazis living in West Germany and Austria. How-ever, a West Berlin Justice Department spokesman said that its investigation was con-centrated on the suspected to collectors of stolen documents.
"We are dealing with a Bermuda Triangle of liars and thieves." an official com-

The centre contains nearly 30m Nazi documents including the original files of 10.7m Nazi party members. It also encom-passes 60 per cent of the members in the elite Nazi Schutz-

## Iran, Turkey set for deal on Kurd rebels

TEHRAN may curb certain deaths in 1987 from Kurdish Kurdish guerrillas operating guerrilla operations in southfrom its territory in exchange cast Turkey. In return, Ankara would be dents living in Turkey, a Turkish Foreign Affalfs Ministry spokesman said yesterday in

cxpected to clamp down on anti-Tehran protests by Iranian dissidents in Turkey. Two recent examples were detailed by the spokesman.

According to Prof Eberhard Schulz, a Bonn-based expert on East-West relations, part of the reason why the goal of reunification often attracts indiffer-

The tacit exchange will be discussed during a visit by a senior Iranian interior ministry official in a few days time, he added.

Although the Kurdish insurgents have not been named, they are understood to be the Kurdish Workers Party (PKK), blamed by Turkish security forces for most of about 240 recent examples were detailed by the spokesman.

The first was an interview in the Istanbul daily, Gunes, with Mr. Shapour Bhaktia, the former Iranian premier, in which he claimed there were many militants in Turkey ready to take up arms against Tehran.

The second was a similar cation often attracts indifference or suspicion from abroad is because Bonn has not spelt out what it wants.

"West Germany needs to say they are understood to be the take up arms against Tehran.

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"West Germany needs to say the title it is not similar to attent to a suspicion from abroad is because Bonn has not spelt out what it wants.

"West Germany needs to say the title it is not similar to a suspicion from abroad is because or suspicion from abroad is because or suspicion from abroad is because from a national is because from a head of the same is because or suspicion from abroad is bec

#### W German **CDU** gets used to the Wall By David Marsh in Bonn

AN OLD gnarled lady trundling a wheelbarrow of straw in the

Bavarian village backwater of Moedlareuth, divided between East and West Germany by an communist party AKEL, from ugly and incongruous wall which it draws its fans, while across the main street, looks up APOEL is the team of the across the main street, looks up from her labours to tell a visi-tor: "We have got used to the

West Germany's ruling Chris-tian Democratic Union (CDU). It has been revealed this week that a commission of top CDU figures, led by Mr Heiner Geissler, the general secretary, has drawn up a document on relations between East and West Germany which down-grades significantly the Federal Republic's aim of reunifying

#### **Emotional**

The party's new thoughts on a highly emotional subject have sent a tremor through Bonn. The document has been criti-cised by right-wingers keen to stick to the letter of Bonn's statutory pledde contained in

stick to the letter of Bonn's statutory pledge, contained in the 1949 Basic Law (or provisional constitution), to make reunification its highest goal.

The opposition Social Democratic Party (SPD), which is moving towards a policy of recognising East Germany as a fully separate country in order to improve general relations between the two states, has welcomed the move, however. welcomed the move, however. It says it brings the CDU's dogma over East Germany into line with basic realities.

line with basic realities.

Mr Geissler has worked on the commission along with figures such as Mrs Dorothee Wilms, the Minister for Inner-German Relations, and Mr Horst Teltschik, Chancellor Helmut Kohl's security adviser. The CDU general secretary is widely believed to be using the document to trawl for floating voters by showing that the voters by showing that the party can move with the times.

The conservative daily newspaper, Frankfurter Allgemeine Zeitung, which can always be relied upon to stick up for the views of German nationalists, said in a critical editorial years and that the conservation of a said in a critical editorial yes-terday that the concept of a united Germany was slowly moving away from politicians' preoccupations. It was "decep-tion" for the Government to try to argue that the document was simply a confirmation of exist-ing professes.

ing policies. Mr Oskar Lafontaine, SPD Prime Minister of the Saarland and a proponent of recognising East Germany, meanwhile wel-comed what he termed "conver-gence" between CDU and SPD

policies.

The document, intended to be laid before the next party con-gress in Wiesbaden in June, gives priority to improving all forms of contact between East and West Germany. This would include the vexed question of official ties between the East

official ties between the East and West German parliaments — even though the former is not democratically elected.

Firmly rebutting any question of a go-it-alone path by West Germany in trying to unify the nation, the document says reunification could only be achieved as part of overall moves towards peace encom-passing all Germany's neighbours in East and West.

Pressed by criticism from the right, Mr Kohl himself yesterday was forced to deny that the CDU was changing course on policies towards East Germany.

#### Pragmatic

Mr Kohl seldom loses : chance in public of proclaiming the latent unity of East and West Germany (an area he called "the Fatherland"). When pressed to justify this goal, however, he tends towards boorishness; when asked for details how it could be achieved, he is notoriously

In fact, underlined by the highly pragmatic policies Bonn has adopted towards East Berlin during the last two years, achieving reunification has long ceased to be part of operative West German policy.

## Beneath the surface, Cyprus seethes

GO TO any Sunday afternoon soccer match in Nicosia between the two leading Greek Cypriot teams, APOEL and Omonia, and the chanting in the stands will soon tell you that the occasion is about a lot more than football.

Omonia is the soccer club affiliated to the pro-Moscow Greek Cypriot right, represented by the Democratic Rally (DISY). In a country where soccer is

about politics, politics is inevitably often very like soccer, Voters offer parties and their leaders the kind of unquestioning adoration which in other countries fans project towards sports bernes towards sports heroes.

Superficially, it is imposs Superficially, it is impossible to judge party political allegiances among the large, affluent Greek Cypriot middle class, in which an average family owns a VCR, two cars and a house in town plus an apartment by the seaside.

This smooth surface is deceptive, however. Differing allegiances run deep. But

allegiances run deep. But which side of the political line a particular family falls

**Cypriot** 

rivals square off

THE SECOND round presidential election contest in Cyprus between Mr Giarkos Clerides and Mr George Vassilion began to crystallise yesterday into an ideological confecution between cal confrontation between left and right.

Mr Clerides with 33.32 per cent of the vote and Mr Vas-silion with 30.11 per cent were the two front-innners in the first round of voting on February 14, which saw the defeat of the incumbent President, Mr Spyros Kypri-anou, with 27.29 per cent.

A ran-off vote will take place next Sunday. An announcement issued

by Mr Clerides' right-wing Democratic Rally (Disy) party cantioned voters hout Mr Vassilion.

Mr Vassiliou, a wealthy businessman who is running as a Communist-backed independent for President would spell political division and dependence on pro-Moscow ideologues,

Mr Vassilion's backers, the Moscow-line Communist

They underscored the resence in Disy's ranks of far-right figures associated with the 1974 military coup organised by the Greek junta in Cyprus against the overnment of Archbishop

The coup provided the opening for the invasiou and occupation of more than one-third of Cyprus by

Meanwhile, intense barmeanwhile, inverse par-gaining continued behind the scenes between political leaders, as Mr Clerides and Mr Vassiliou sought to out-rival each other in wooing the second-round support of Mr Kyprianou's Democratic Party and the Socialist Edek, which scored just over 9 per cent in the first

on depends much more on its past history than on its pres-ent material position. European Diary

ent material position.

In many cases a family will vote for AKEL, despite a Mercedes or BMW in the garage and other signs of affluence ardind it, solely to keep faith with a rural, farming past in which the Communists figures as the leading political influence. Similarly, another family might vote for DISY, not because of its position among

because of its position among the affluent, urban bourgeoise, but in homage to the middle-aged and now paunchy paterfamilias, who was a useful member of the nationalist Eoka guerrilla movement of the 1950s, which fought against British colonial rule. against British colonial rule.
This polarisation often finds social expression in ludicrous ways, with not only left and right soccer teams but also left and right barber shops, left and right grocers and left and right coffee houses.

houses. In one example of the lat-ter, the Aegean, near the mili-tary Green Line which divides Nicosia into a Turkish-occupied and Greek sec-tor, fervent nationalists



Cyprus

gather to talk politics and read Self-Determination, a magazine published by the

These gut-level political decisions are likely to play a key part in next Sunday's voting to elect a Cypriot president. The choice is between the leader of DISY, Mr Glafter Chefides and Mr General kos Clerides, and Mr George Vassiliou, a wealthy business

man backed by the Commu-

The main task which the next president will have to face will be leading Cyprus to a settlement which resolves the situation created in 1974, when in the wake of a Greek military coup Turkey invaded and occupied the northern third of the island.

Both Mr Clerides and Mr Vassiliou have indicated that

they are ready to be more flexible than the defeated president. Mr Spyros Kyprianou. Soon after assuming office in 1977, he took a hard-line stance involving full Turkish troop withdrawal and the dismantling of all barriers to movement, settle-

ment and property ownership throughout Cyprus.

The key question is whether his successor to the presidency can persuade the Greek Cypriots to settle for less. The affluence of Greek Cypriot society and the Cypriot society, and the apparent lack of urgency for the recovery of what was lost in 1974, leads many observers to believe that the answer is positive.

However, again appearances may be misleading.

Scratch Greek Cypriot soci-cty's urban European surface and you soon uncover its peasant roots, linking an othpeasant roots, linking an other wise comfortable burgher with a small village somewhere in the Turkish sector, whose loss still hurts and randominated the sectors of the sector whose loss still hurts and randominated the sectors of kles. Though the material needs of the 200,000-odd persons displaced from their homes in 1974 have been efficiently met, they remain emotionally committed to the idea of tenter.

of return. of return.

What percentage they represent, as against the realists who argue that Turkey is in Cyprus to stay, is difficult to gauge. If party strengths are anything to go by, then the nationalists add up to at least 125 of the voting poper. 36 per cent of the voting pop-ulation – the sum of Mr Kyp-rianou's support and that of the equally hardline small

socialist party.
For the moment, left and right-wing passions seethe just below the surface of Greek Cypriot society. There may come a day, however, if and when the next president comes forward with a compromise settlement plan for the island, when the passions come to the surface.

#### **HOWE DISCUSSIONS IN MOSCOW**

## UK-Soviet human rights group planned

BRITAIN AND the Soviet Union have reported a striking improvement in Anglo-Soviet ties after a visit to Moscoul by Sir Geoffrey Howe. Robert Mauthur and Charles Hodgson last at the issues constant by took at the issues covered by the Foreign Secretary's talks. • HUMAN RIGHTS: modest • HUMAN RIGHTS: modest progress was made. Mr Eduard Shevardnadze, the Foreign Minister, accepted a proposal by Sir Geoffrey for setting up a joint UK-Soviet working group which would deal with human rights issues on a systematic and regular basis.
However, Sir Geoffrey did not

However, Sir Geoffrey did not react favourably to a reiteration by Mr Shevardnadze of the Soviet proposal to hold an international human rights conference in Moscow, on which, he said, Britain and many other Western countries still had sub-stantial reservations.

Sir Geoffrey had breakfast with a group of religious and other human rights activists at which he was handed a list of 240 people described by Fr Gleb Yakunin, a former political detainee as "religious prison-

Though the list of families in Britain whose relatives have been denied permission to leave the Soviet Union has been whittled down to one from nearly 20 two years ago, Sir Geoffrey said that much still remained to be done. The plain truth is that families should not have to lobby governments to be

The nuclear dog did not bark throughout the talks", a senior Geoffrey firmly denied that Britain was in any way trying to circumvent the INF agreement for the abolision of medium-range nuclear missiles signed by the US and Soviet Union last December.

"Modernisation of nuclear weapons is not a euphemism

for circumventing the treaty, he said. It was a necessary pro-cess for ensuring the continued effectiveness of the nuclear detertent, which was as rele-vant for the Soviet Union as it was for the Nato allies.

British officials consider that the Soviet leaders have now virtually recognised the right of Britain and France to maintain an independent nuclear deter-rent, even after the proposed reduction of 50 per cent in their strategic nuclear arsenals by the US and the Soviet Union. "The nuclear dog did not bark

incréasing Ánglo-Soviet trade

by 40 per cent.
Last year the trade gap between the two countries widened. Britain imported £875m worth of Soviet goods and exported £492m worth to the Soviet Union to be the countries with the countries. Soviet Union compared with £695m and £539m respectively in 1986.

British officials attributed the deterioration in the trade figures last year to a combina-tion of the increase in the price of oil — Britain's main import from the Soviet Union — and a from the Sovict Union — and a strong Soviet drive to sell its Lada cars. British exports had been hampered by more rigorous control by Moscow of its dwindling hard currency reserves and to the "convulsions" caused by implementation of Mr Mikhail Gorbachev's economic reform programme economic reform programme which has seen a radical shake-up of Soviet foreign trade organisations.

## Austria political climate cools

THE POLITICAL temperature in Austria cooled yesterday fol-lowing remarks made at a news conference by Mr Franz Vran-itzky, the Chancellor. However, internal differences remain within Austria's political parties over the future of President Kurt Waldheim.

Mr Vranitzky was critical of Mr Waldheim but made clear he would not immediately resign as Chancellor in protest against the latter's refusal to step down as head of state.

The conservative People's Party (OEVP), is divided into two distinct camps. Mr Alois two distinct camps. Mr Alois Mock, the Vice-Chancellor and party leader, continues to represent the hardline attitude. "He will not distance himself from Mr Waldheim," an OEVP official said.

The official added that this was putting considerable strain on the party, especially among its liberal wing which consists largely of economists and businessmen who recognise the line. How long can we work long-term damage the Wal-dheim affair is having on the our institutions and casts a

party. Se far, this wing has had little opportunity to air its real feelings about the issue.

Mr Vranitzky's Socialist party (SPOE) is for the moment of defending the Chancellor's positional feelings and the commendate the 50th anniversal feelings and the commendate the 50th anniversal feelings the incorner.

Nor do the Socialists particularly relish the idea of doing the OEVP what may turn out to. be a favour by pulling out of the coalition abruptly and plunging the country into a general election dominated by the

Waldheim issue. Mr Mock is anxious to go to the country in the hope of obtaining an absolute majority, although some members of his party think he is being too optimistic in expecting this.

Nevertheless, some SPOE officials continue to feel, at least privately, that Mr Vran-itzky should take a stronger

tion. As some party officials sary of Anschluss, the incorporation of Austria into Germany.

Vranitzky resigning if it means
Mr Waldheim will stay in commemorations as a hational the events of 1938.

> Over the past few months, at the Chancellor's initiative, several seminars and lectures have been held to examine why there Arschluss, an issue which is never discussed, for example, in Austria's schools.

But in the light of current events, it seems likely that the event will merely serve to demonstrate the deep polarisation which has taken place in Austria over the past few months.

"if the head of the state cancere?" an Austrian journalist

**Falling exports** hobble Dutch output growth By Laura Raun in Amsterdam

INDUSTRIAL PRODUCTION grew only slightly in the Netherlands last year under the pressure of falling exports and modest rises in consumption

and investment.

The index edged up only 0.9 per cent to 107 (1980 ± 100) from 106 the year before, according to seasonally adjusted figures released by the

Central Bureau of Statistics. The textile, clothing, leather, machine metal and food industries were among the weaker sectors, while basic metals, paper and graphics and chemi-cals expanded more robustly. Output in the energy sector and

power utilities rose by I per Much of the lacklustre perfor mance was blamed on Dutch exports, which dropped 7 per cent during the first 11 months not confront the past, how can he stand up on March 11 and beat his breast and sound sinsonal consumption and business investment rose about 2.5 per cent last year.

## Sales of four-wheel-drive vehicles soar in Europe

BY JOHN GRIFFITHS

year, according to market shadeven the miysts Automotive Industry forecasters.

The biggest

Preliminary AID statistics for ing to AID, cante in Italy, where 15 countries show that the light sales jumped by 50 per cent. Awd market grew by 17.8 per cent, nearly three times the single market, West Germany, rate of the car market overall. While the fastest rate of While the fastest rate of time.

growth was enjoyed by cars, at just under 20 per cent, pur observed acceptability of 4wd pose-built leisure and utility in stinny Spain, where sales are vehicles surged through the estimated to have reached some 200,000 level for the first time 21,500 units, a rise of 19.8 per cent of the street of the cent of the street of the str to account for 58 per cent of cent. The

TOTAL West European sales of sales, its statistics are partly light four-wheel-drive vehicles, estimated. Nevertheless, the including cars, reached 400,000 1987 performance of the 4wd units for the first time last sector in Europe has surprised

The upsurge "could literally lead to a general rethink in the stresses that because of the European auto industry," it complexities of the 4wd market suggests, "for the market seems

4WD PASSENGER CAR SALES IN WESTERN EUROPE ('D00s\*) 106.7 50.7 27.5

stresses that because of the European auto industry, it reached levels of penetration complexities of the 4wd market suggests, "for the market seems and the differing ways in which set for an unparalleled 4wd able in the scenario of most some countries record their acceptance, which has already European carmakers".

the Subaru Leone and Justy models, but a new Toyota Corolla-based Tercel model is expected soon which is likely to become the single best-selling 4wd in Furance become the single best-selling 4wd in Europe.
But, while Fiat group and Audi/Volkswagen continue to make progress in the sectors, too much of the European industry is still adopting a perceived "safe" stance of waitand-see, suggests AID, and not only over 4wd vehicles.
The European industry productions

The European industry used to accuse the Japanese of copying. "Now the picture seems generally reversed. It is the Japanese making most of the running in costly innova-tion....with European carmak-Japanese vehicles dominated both the car and leisure/utility sectors, according to AID's figures. The car sector was led by

## Spanish unionists sink differences to confront Gonzalez

A BREAKTHROUGH agreement between Spain's two main labour organisations has raised the spectre of industrial disputes this spring and widened the rift between the Socialist Government and its "fraternal" union, the Union General de Trabajadores

Mr Nicolus Redondo, a 60-yearold veteran trade unionist and leader of the UGT, formally ended a deep-rooted rivalry with the Communist-led union, Comisiones Obreras, in a long meeting on Mon-day which resulted in his adopting a shared platform of labour demands with Mr Antonio Gutierrez, head of the Comisjones.

BY TOM BURNS IN MADRID

The two men agreed on an 11point programme which amounts to a broadside attack on the Government's policy of wage moderation and labour flexibility. Key features of the platform are demands for a 6 per cent wage rise, a 38-hour working week, increased protection for short-term contracts, and an overhaul of the Employment Institute, the national employment agency, which would include substantially increased allocations for the lob-

Government officials said yesterday they expected that an strategic objective of Comisiones

immediate outcome of the agree-

ment would be disputes in two public sector companies, the Iberia national airline and the tobacco company Tabacalera. Both are due to review their collective agree-ments in the coming weeks and the unions will be seeking to break a 4 per cent pay celling for public sec-tor employees which is contained in the 1988 budget.

The agreement's longer term

implication is an enduring divorce

between the Socialist Government

and the UGT, and the cementing of

a united labour front - a constant

Rivalry between the two unions had hitherto been best expressed by their inability to hold joint Labour Day parades on May 1 since as far back as 1981. Over the past six years of Socialist government in Spain, the UGT has largely endorsed the economic pragmatism of Prime Minister Felipe Gonzalez and characterised itself as the moderate labour organisation willing to negotiate with, rather than confront,

Mr Redondo's estrangement from Mr Gonzalez, whom he accuses of betfaying socialism, was sharply illustrated last October when he resigned his Socialist seat in Parliament. The gulf, with the Premier and the party, wid-ened last month when Mr Gonza-

lez' policies were overwhelmingly endorsed by the party's congress. By drawing up a joint platform with Comisiones Obreras, Mr Redondo has taken a decisive step towards severing a relationship between the UGT and the Socialist party which has existed since their joint foundation more than century ago by Mr Pablo Iglesias, the grandfather of Spanish social-

The development is likely to have an electoral impact on the Socialist party which has bene-

fited considerably from the facade of a "united Socialist family".

The chief beneficiary of the agreement is Mr Gutierrez, the 36-year-old rising star of Spanish trade unionism who took over con-trol of Comisiones Obreras last November from the legendary anti-Francoist union leader, Mr Marcelino Camacho.

A serior Communist party mem ber like his predecessor, Mr Gutlerrez has been able to accomplish what Mr Camacho, in part because of his personal rivalry with Mr Redondo, was never able to achieve: a united strategy with

the UGT.

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حكدًا من الأصل

## Bank of Brunei chairman jailed in \$600m fraud

A BRUNEI High Court sentenced the former chairman of the National Bank of Brunei to 52 months in jail yesterday for fraud and conspiracy, Renter reports from Bandar Seri of 14 charges in contection of 14 charges in content of the c

Begawas.
Ending the tiny, oil-rich nation's biggest bank fraud trial, Mr Justice Barry Mor-

timer said Mr Khoo Ban Hock's sentence would run from his arrest in November 1986. Two other defendants, Gen-eral Manager Mr Azlan Robert Teoh and British auditor Mr

The three men faced a total of 14 charges in connection with the collapse of the bank.

Mr Mortimer ruled that although Mr Teoh did not decide bank policy, he played an important role in the constitution.

#### New US command ship possible for Gulf fleet

A POSSIBLE replacement for yesterday began to escort a the command ship of US naval new convoy of two Kuwaiti forces in the Guif entered the tankers south from the north-

may be replaced.

The Samuel B. Roberts is a similar Perry-class ship to US frigates now protecting US-flag Kuwaiti tankers from Iranian attacks eterming from the half-interest from Iranian half-interest from I

spiracy. He said Mr Peattie's sentence

arrest in November 1986.

Two other defendants, General Manager Mr Azlan Robert Teoh and British auditor Mr Andrew Peattie received jail terms of 20 months and 27 months, respectively.

"Dishonesty is dishonesty in any context," said Mr Mortimer, who accepted that the main conspirator had been the former chairman's reclusive, millionaire father, Tan Sri Khoo Teck Puat.

"I understand that coming from a Chinese family and being the eldest son, the position was thrust upon you ... but you were also trusted with the responsibility of managing the bank," Mr Mortimer said of Mr Khoo.

Brunei's authorities closed the bank in November 1986,

waterway yesterday accompanier Golf emirate to the Stratt of Hormuz at the entrance to the reports from Dubai.

The vessels were identified 20 miles north of Dubai as the auxiliary supply ship, Coronauxiliary supply ship, Coronauxiliary supply ship, Coronauxiliary supply ship, Coronauxiliary supply ship. 20 miles north of Dubai as the auxiliary supply ship, Coronado, and the missile frigate, Samuel B. Roberts.

The Coronado, originally an amphibious assault craft, was refitted as a command ship in 1980 while the La Salle, the current US flagship in the Gulf, was being refurbished.

US sources have hinted that the La Salle, now based off Bahrain under the command of Rear Admiral Harold Bernsen, may be replaced.

the 297,739-tonne supertanker Townsend and the 46,723-tonne liquid gas carrier Gas Princess. The US announced in January that it would reduce its Gulf fleet by up to four warships to cut costs, leaving 25 vessels including an aircraft carrier in the region.

The Defence Department in Washington said yesterday that the battleship lowa, which carries long-range cruise missiles and a crew of 1,500, was now sailing from the Gulf for home

attacks stemming from the helicopters, was due to leave for San Diego, California, The Reuben James frigate before the end of the month.

#### **Left-wing** Sri Lankan leader murdered

A LEFT-WING politican, Mr Vijaya Kumaranatunge, 42-year-old leader of the left-w-ing Peoples Party, was gun-ned down by two men on a motorcycle as he stepped out of his home in suburban Col-

ombo at noon yesterday. The police were certain that the assassins belonged to the out-lawed JVP, an extremist Sinhalese-Buddhist party, responsible for the equally daring assassination in late December of Mr Harsha Abeywardene, chairman of President Jayawardene's

UNP.

Mr Kumaranatunge, the film star son-in-law of Mrs Sirima. Bandaranaike, the former Prime Minister, died instantly and a young party supporter was critically injured.

A prospective presidential can-didate, Mr Kumaranatunge, was the young hopeful of a newly united non-cummunal left movement struggling to survive in a political climate charged with ethnic tensions. ast week, the socialists LSSP,

the island's oldest marxist party, the pro-Soviet Communists, a small Trotskyist party and Mr Kumarana-

## S African conscripts die in Angola

that four white conscript sol-diers had been killed east of the besieged Angolan town of Cuito Cuanavale over the weekend when their armoured vehicle was hit by Angolan artillery. They were all 19-year-old Afri-

kaners. Last year at least 30 whites and an undisclosed number of black Namibian and ex-Angolan "Since the weekend Unita has soldiers from South African-officered Namibian ethnic battalions died in action against disarray and trying to organise
Southwest Africa Peoples a desperate last stand".

Description of the stand of the Organisation guerrillas and Angolan Government Fapla

THE South African Defence between 6,000 and 7,000 South Defence Force commander, Force yesterday announced African reinforcements have admitted yesterday, however,

Yesterday's statement said:
"Since the weekend Units has

disarray and trying to organise a desperate last stand.

Last year South Africa announced its Intention to withdraw its forces from southern The latest confirmation of Angola where they helped continuing South African military involvement in southern Angola in support of the rebel Unita movement led by Dr. Jonas Savimbi, follows Angolan government claims that the Unita forces from southern Angola where they helped unita successfully to ward off at the Unita forces from southern Angola where they helped unita successfully to ward off at the Unita forces from southern Angola where they helped unita successfully to ward off at the Unita forces. Cuito Cuanavale. Cuban forces and Sc Gen Jannie Geldenhuys, the ers from the region.

Most of the ground figthing is done by Unita troops while the SADF offers logistical and air support and lays down artillery barrages from its 35km range

G-5 and mobile G-6 cannon. The longer term political objective of South African involvement in the 12-year civil war is to force President Eduardo dos Santos to begin power-sharing negotiations with Dr Savimbi and secure the withdrawal of the 40,000 Cuban forces and Soviet advis-

taxes.
The country also faces two new scourges - AIDS, which is beginning to sweep through African countries to the north,

and a new resistant strain of malaria which is now spreading after more than a decade of civil war in Angola and Mozambique, and the decay of some

preventive and prophylactic

Last year several white soldiers died from malaria contracted while fighting in Angola. But the main source of contagion lies in the thousands of refugees from the civil war in Mozambique. One in three been found to carry the

have been found to carry the malaria parasites transmitted

between 6,000 and 7,000 South
African reinforcements have admitted yesterday, however, recently entered the country.
Defence force spokesmen routinely rejected the Angolan claims as "propaganda" continue support for Unita was designed to deflect attention from a series of humilisting defeats inflicted on Angola's Cuban-backed and Soviet involved what he called "limeted SADF offensive action" babwe that it should take serious to the serious south Africa's continuation of South Africa's continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's taken to consolidate the "operation of South Africa's continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's the end of last year and also continuing civil war comes against the background of a bitter wrangle with Zimbabwe and last week's th The latest confirmation of ously South African requests for Zimbabwean assistance in for Zimbabwean assistance in tracking down alleged African National Congress guerrillas operating from bases in Zim-babwe. This follows a grenade and rocket attack against a farmhouse near the Limpopo River border over the weekend.

Harare for its part has accused Pretoria of being behind an alleged South Afri-can spy ring in the Bulawayo area responsible for sabotage against Zimbabwean army installations and ANC facilities.

#### Pakistan warns Moscow over Afghan peace By Mohammad Aftab in Islamabad

THE Pakistan Government warned the Soviet Union yesterday that "without a new government in Kabul, strife will not cease" and that the present moves to sign a peace agreement to end the eight-year war in Afghanistan would be

The Foreign Ministry said that without peace in Afghanistan, the 3m refu-gees in Pakistan would not

The ministry insisted that the question of signing peace agreements in Genera by mid-March must be linked to establishing a new government in Kabul.

The Mujahideen, whom Pakistan, the US, China, and Western nations supand Western nations sup-port, demand that they must have a dominant role in the Kabul government. But they have signified they would agree to the inclu-sion of some important non-communists from the present Moscow-backed regime in Kebul

however, to demands by President Najibullah, the Communist leader of the present puppet regime in Kabul, for a leading role in the new government.

#### Australian current account deficit cut

By Chris Sherwell in Sydney

A RECORD visible trade surplus in January helped Austra-lia to produce its lowest monthly current account deficit since April 1984, according to preliminary figures released

yesterday. The deficit of A\$428m The deficit of A\$428m (£175m) was well ahead of market expectations and the fifth monthly fall in a row. It puts the economy firmly on course for its budgeted target of A\$11.5bn, or 4 per cent of gross domestic product, for the financial year ending in June.

On the Sydney foreign exchange markets the Australian dollar's trade weighted index firmed sharply from 52.8 to 53.1 (May 1970=100), its highest since the end of October. The currency also strengthened against the US dollar, rising 0.4 US cents to 71.25 US cents.

cents.

The Labor Party Government and Confederation of Australian Industry cautiously welcomed the figures, with Mr Paul Keating, the Federal Treasurer, warning that the current account deficit still remained "unsustainably high".

The A\$423m figure compared with a revised A\$694m in December and A\$1.38bn a year ago. It brings the cumulative figure for the first seven months of the financial year to A\$6.7bn, up 24 per cent on last year.

year.
Though the visible trade surplus of A\$518m was a record, it was the product of falls in both was the printer of talls in boar-exports and imports of machin-ery and transport equipment and of fuels.

#### NZ to tax capital gains

NEW ZEALAND'S Prime Minister Mr David Lange told parliament his Government would introduce a capital gains tax as part of its tax reform programme, Reuter reports from Wellington.

Mr Lange said during a

Mr Lange said during a debate on the economy that reforms already announced had not been completed. "There are still fields to conquer... What will happen next is entirely predictable, it's entirely inevitable, and it will be a form of capital gains tax."

## Health service pressures erode medical apartheid

WHEN construction of Cape Town's Tygerberg hospital started 26 years ago, it was a monument to the apartheid principle of "separate but

nists, a small Trotskyist party and Mr Kumaranatunge's Peoples Party launched a "anited socialist alliance". Unlike Mrs Bandaranaike's SLFP, the main opposition party, the new alliance supports the Government's peace accord with India and semi-autonomy for the minority Tamils, while strongly critical of President Jayawardene's economic policies and authoritarian outlook.

The alliance which had announced its inaugural rally in Colombo next week took another bold step. It invited two frami militant markist-oriented groups to join it. In recent weeks, the targets of the Peoples Party and the Communist Party rather than the Rumaranatunge killing, it broadcast a statement by the left alliance condemning.

JUP's murderous attacks on Jupical and led to limited beautiful and Jupical and Jupi equal".

The austere brick complex in the far suburbs was designed with identical facilities for

Anthony Robinson on South Africa's crowded hospitals

Two-thirds of the 98 AIDS patients under treatment in

patients under treatment in South Africa last year were white homosexuals. But what worries the health authorities most is the prospect of heterosexually-spread AIDS transmitted by venereal disease sufferers, especially prostitutes. Now all black immigrant workers are being AIDS-screened before piven contracts and over the Kumaranatunge killing, it broadcast a statement by the left alliance condemning JVP's murderous attacks on "leftists, progressives and student leaders" and its "fascistic" politics.

Six Tamils at prayer in a Hindu temple in Colombo died in a bomb blast last night.

A similar process can be van Niekerk, the Minister of black, South Africa's Dr Willie van Niekerk, the Minister of black, South Africa's Dr Willie van Niekerk, the Minister of all black immigrant workers are being AIDS-screened before ment, points out that Britain being given contracts and over ment, points out that Britain being given contracts and over and other first world countries transplant, or Johannesburg central as the black urban population continues rapidly to increase and more whites opt for private health care.

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## **Election tensions** test Senegal's fragile openness

iy nicholas woodsworth in abidjan

TENSIONS are building in the campaign leading to the Senega-lese presidential elections, due to take place on February 28. amidst opposition party calls for revision of a controversial electoral code. One of Africa's rare democra-

cles, Senegal is distinguished by open political debate, a free press, regular elections and cur-rently no fewer than 16 politiremay no lewer than 16 politi-cal parties. Dominated by the veteran African poet and politi-cian Leopold Senghor for most of its post-independence his-tory, Senegal has since 1960 been governed by the Socialist Party (PS) he founded. However, the PS's adoption of radi-cal IMF austerity and state disengagement programmes since the last presidential elections in 1983 makes the February elec-tion the most contested in Sene-

The election, which will include voting for a legislative assembly, is also being seen by foreign observers as a test of African democracy. While the chief opposition party, the centrist Democratic Party of Senegal (PDS) was recorded in 1983 as having won less than 15% of as having won less than 15% of the popular vote, there were widespread accusations of mas-sive vote-rigging, a contention supported by independent observers and the foreign press. Abdoul Diouf, Mr Senghor's PS successor and winner of the election, denied that any such malpractice took place.

The PDS and the other two parties (both left wing) contesting the presidency have called for major changes in the elec-In major changes in the elec-tural code. Wishing to avoid what PDS candidate Abdoulaye Wade calls 1983's "electoral coup d'etat". they have demanded the obligatory use of the secret ballot, the presenta-tion of voter's identification papers, and the presence of opposition party scrutineers at all polling stations. Vote-rigging in the 1983 elections, they say, was only too easy because no of these measures is provided for in the electoral code.

President Dibit's refusal to consider any modification to the code has resulted in mount ing tension and the possibility of political violence. While M Diouf has stated he will not tol-erate any form of electoral disorder or destabilisation, his chief opponent Mr Wade has threatened to occupy the Ministry of the Interior on the night of the election and proclaim a "movement of national libera-tion" should there be any hint of electoral malpractice.

Mr Diouf is supported by strong elements of Sengal's traditional power base, as well as by two of the country's largest Islamic brotherhoods - organizations that in Senegal wield great political influence. He is expected by most observers to be returned to a second five-

#### Bendjedid reshuffles **Cabinet ministers**

PRESIDENT Chadli Bendjedid of Algeria has given his Cabinet a major reshuffle, switching Mr Kasdi Merbah, the Minister of Agriculture, to the Ministry of Health. Mr Mohammed Rouighi will leave the Ministry of llydraulics to take the agriculture portfolio.

Mr Merbah, who throughout the 1970s was the much feared head of internal security has had considerable success over the past four years in reform-ing the farming sector and doing away with the rigid con-trols of a collective system which had led to a collapse of production and increasing

dependance on imports.

Last year, purchases of food abroad cost Algeria about one-quarter of the estimated \$6.2bn. Encouraging experiments are also being conducted in desert farming in such oasis as El Qued, Quargla and Adrar.

Mr. Mechan will need all the authority he can muster to clear up the problems confront-ing the health service which boasts many good doctors but very weak para-medical services. The extraordinary misdenounced two weeks ago in

The new Minister of Agriculture has worked closely with Mr Merbah in developing water resources, a policy which commission is holding its first imeeting at present in London. The Algerian delegation is lead by Mr Belkacem Nabi, the Minister of Energy.



enjoys considerable support Mr Merbah will need all the ity policies adopted in 1986, uthority he can muster to Algeria's balance of trade had a surplus of about \$2bn last year.
But servicing a debt estimated at about \$20bn will cost at least 55 per cent of exports this year, assuming that both a steadier dollar and less variable could oil price allow exports to maceutical purchasing office, crude oil price allow exports to was vigorously rise to around \$9bn.

• The first meeting of the joint UK-Algerian economic commission is holding its first meeting at present in London.

The Algerian delegation is lead

SAA.

The difference

starts at check-in.

#### Family planning has become inextricably linked with politics under Reagan, reports Janet Bush

## Pro-abortion lobby calls on the law for support

being marshalled to fight off a last ditch assault by President Reagan, as he nears the end of his final term in office, on the freedom of women to have a legal abortion in the US.
Four lawsuits hold their preliminary hearings this week in an attempt to overturn a Reagan-inspired directive which

gan-inspired directive which would hamper more than 4,000 family planning clinies, which are partly funded by public money under what is called the Title 10 programme. The clinics serve about 5m mostly poor women each year, providing counselling and minimal information about abortion.

Opponents of the new rules

Mation about abortion.

Opponents of the new rules argue that they contravene the basic constitutional rights of freedom of speech and privacy, that they run counter to the spirit of Congressional support for legal abortion and that they represent a wholly political intervention in the medical pro-"Reagan wants to turn clinics

into propaganda centres, not health centres, said Ms Eve Paul, vice-president of legal affairs at the Planned Parent hood Federation of America. Abortion and politics have seemed inextricably linked under the Reagan presidency which, bolstered by the support of a band of Christian fundamentalists, has consistently voiced its opposition on abor-tion. However, the Administra-

US loan to

**Argentina** 

off crisis

By Tim Coone in Buenos Aires

and Alexander Nicoll in London

crisis as the country negoti-ates the final details of con-

ditions for release of money from the International Mon-

etary Fund and commercial

It is understood that the Washington talks with the IMF were making progress but that Mr Michel Camdes-

sus, the Fund's managing

is disbursed, together with \$150m from the IMF com-pensatory fluancing facility for loss in export earnings due to declining terms of

the funds is now two months behind schedule which has caused Argentina

to delay interest payments to a number of commercial

banks since last December, as its foreign exchange reserves have dwindled.

the shortage of reserves, Argentina had paid the \$350m of principal and interest on dollar-denomi-

nated Bonex bonds when

they fell due on Monday.

The IMF has apparently been insisting on further

cuts in Argentina's fiscal deficit, which the govern-

ment was initially unwilling

to undertake.

Mr Machines said at the

weekend that Argentina

would agree to keep its 1988 fiscal deficit below 3

per cent of gross domestic product compared with over 7 per cent last year.

NICARAGUA said its cur-

Contras 'hit' by

currency switch

heads

any anti-abortion conces out of Congress which has been staunchly pro-choice.

The issue again came to the fore as the Presidential campaign got underway, notably because of the early success of Mr Pat Robertson, the former television evangelist (or Christian broadcaster as he prefers to be called). Mr Robertson made headlines

earlier this month when he 'Reagan wants to turn clinics into propaganda

centres, not health centres'

accused Planned Parenthood of

All the candidates running for the Democratic nomination support the legality of abortion although there is some worry within the family planning pro-fession about Representative Richard Gephardt, winner of the lows caucuses, who had professed himself to be anti-The regulations, which will Planning and Reproductive

go into effect on March I unless they are successfully chal-lenged in the courts, stipulate that family planning clinics which receive federal funds may not provide abortion coun-selling and may not professional selling and may not refer preg-nant women to medical practitioners offering abortion facilities.

The new regulations would effectively forbid the word "abortion" to be mentioned by a doctor counselling a pregnant woman who had walked into

the clinic.

They would also mean that clinics with both publically funded family planning programmes and privately funded abortion facilities under one roof would have to have "separate entrances, separate waiting rooms, different phone numbers, two sets of headed notepaper and strict separation of pencil supplies," as one opponent of the regulations put

Ms Rachael Stine, staff attorney for the American Civil Liberties Union's Reproductive Freedom Project which will rep-resent Title 10 clinics in the New York area, says: "These regulations effectively censor doctors from talking about one set of concepts - abortion and virtually compel them to discuss another - childbirth."

Mr Scott Swirling, executive lirector of the National Family

resents the clinics currently receiving public funds, said: "These are political regulations, not public health regulations. designed as a sop to the right-to-life lobby by an Administra-tion which has failed to pass any of its anti-abortion plans

through Congress." He said the regulations would have a devastating impact on health care for poor women but is confident that the law suits in Denver, Boston and New York, where two separate court cases are being held in parallel, will overturn the directive.

An impressive array of organ-An impressive array of organisations is vehemently opposed to the new rules including the American Medical Association, the American College of Obstetricians and Gynaecologists and the American Nurses Association

At issue is a provision talled Title 10 of the 1970 Public Health Services Act which established federal funding for established federal funding for family planning but stipulated it should not be used for abor-tion activities.

The Title 10 clinics argue that they have been scrupilous in keeping their financing sepa-rate while the Department of Health and Human Services (DHHS) contends that the new regulations are necessary to ensure that this separation is

rent controversy, however, is a set of guidelines issued by the DEHS in 1981 which required Title 10 clinics to offer abortion counselling on request and referals to doctors who could perform abortions. The new regulations abruptly reverse

hese guidelines. Ms Nabers Cabaniss, deputy assistant secretary for the Population Affairs division of the DHHS, argues that compliance

'The spirit of the statute definitely favours child-bearing and disfavours abortion'

with the separate financing department is concerned that the guidelines requiring doctors to give abortion counselling had actually led to aggressive pro-motion of abortion as an option for pregnant women.

She argues: 'The spirit of the statute definitely favours child-bearing and disfavours abortion...the client must not confuse family planning with abortion activities."

counter with the argument that Congress has readily re-enacted Thie 10 in full knowledge and support of the guidelines requiring abortion counselling.
The court cases will be fought
against a background of some
uncertainty. Although, according to Ms Paul of Planned Pariring abortion counselling. enthood, opinion polls have consistently shown that the public supports the women's right to choose an abortion, there have been some signs of

wavering support in Congress.
A civil rights bill, fought for fiercely by women's groups among others, was recently passed by the Senate complete with an anti-abortion amendment much to the dismay of those same women. Senator John Danforth, a Missouri Republican with a staunch anti-abortion record, put forward the amendment and won the support of presidential the support of presidential hopefuls Senator Bob Dole and Vice-President George Bush who broke off their lows cam-paigns to vote for it.

Even some Democrats appe to be toncerned about official party support for abortion rights. Mr Patrick Moynihan, Democratic Senator for New York, was reported to have told a group of women urging him to vote against the Danforth amendment: "You women are ruining the Democratic Party with your insistence on abortion."

## Andrew Marshall on the poor prospects for solving a fiscal problem Bad news about the US budget

the US budget deficit, the Administration's projection of which is to be released tomorrow. Mr Gray is chairman of the Budget Committee of the House of Representatives. It A \$550m bridging loan arranged by the US govern-ment will help Argentina head off a foreign exchange was not that they did not believe him, but his London audience of last week, largely drawn from the financial sector, knew that every piece of good news in the US these days is followed by something bad.
"The bad news," said Mr Gray, confirming their suspicions, "is that we probably won't do much better next

director, had yet to give his final recommendation for the executive board to approve release of a \$225m tranche of a standby loan.
Announcement of the bridging loan was made in Buenos Aires by the Central Bank president, Mr Jose Luis Machinea, as it became clear that release of the tranche had still not been omy in the Reagan years.

In 1986, Congress produced ted from Washington is that fisthe Gramm-Rudman plan to let cal policy will be no worse than the air out of the balloon slowly envisaged in the agreement. approved by the IMP agreement had been reached from Mr Juan Sourouille, the Economy Minister, following his return from Washington at the reekend. Mr Machipea said the bridging loan will be repaid with the funds coming from the standby tranche, once it

"THE good news is, the deficit of cuts. Under pressure from is going down," said Mr William falling stock markets, they Gray and the occupants of the room winced.

The deficit in question was Rudman for fiscal 1988. The achieved the necessary savings to meet targets set by Gramm-Rudman for fiscal 1988. The targets were reshuffled to make them easier to hit for next year: thus the good news. But last week, the Congressional Budget Office projected a deficit for next year of \$176bn without further fiscal action.

This represents an increase of some \$80bn on this year, despite the cuts agreed last year. Lower economic growth and higher interest rates have eroded the effect of the summit package. Thus the bad news.
The bottom line for this year's budget negotiations is that new cuts of \$30bn are won't do much better next that new cits of \$30bn are year." Behind that lies some required this year to bring the very bad news indeed for the deficit into line with the next US President.

The fiscal deficit, which ballooned to over \$200bn in 1985, through before the election is has been a perennial source of political conflict and an Achilles heel of the American economy in the Reagan years.

As a tactical move, the Con leading to balanced budget in gress is likely to accept the 1991 with annual targets for more optimistic deficit projecthe deficit. Washington's failtions offered by the President's ure to keep up with these tar-office of Management and the gets was one factor behind last year's equity market crash. year's equity market crash.

Mr Gray, an urbane, politibe presented tomorrow. Though mr Gray, an urbane, points be presented tomorrow. Indugated cally shrewd Congressman from few believe the President's bud-Pennsylvania, was part of the get is fiscally credible, it offers negotiating team which late last a politically easy way out of year forced through a package trouble for the next few

Rudman projections are released in October, the scale of the shortfall is likely to become clear. Congress will have to return after the elections for another emergency deficit-cut-ting session to meet the targets. Mr Gray believes that they will duck the task, and postpone the

targets yet again.
The budget problem is thus likely to drop neatly into the lap of Mr Reagan's successor. Mr Gray's hope that is the incoming President, straight from the polls and with fresh stocks of political capital, will take the bit between his teeth and deal with the deficit. His exhortation to the next Presi-

exhortation to the next President is "put on your flak jacket, put on your helmet, get down in the foxhole and hold on".

The bipartisan National Economic Commission, of which he is a member, is working on fiscal options which it will deliver in March. These are planned to form the basis of a credible, long term deficit reduction plan based on Gramm-Rudman.

It is difficult to judge the logical thing to do would be to

didates to fiscal rectitude, wait for the next upturn to get despite the balanced budget underway, probably in early rhetoric from the Bight. For 1990. such a central issue, deficit such a central issue, deficit reduction has received little attention in the campaign.

Cynics may remember that under the original Gramm-Rudman plan, this was the year

prepared to pay the price to solve the problem. No-one wants to get tagged as the can-didate who would raise taxes or But the really bad news, a

Mr Stanley Collender of Touche Ross points out, is that even a President committed to deficit reduction may be in too deep before he starts. Holding the fiscal line may not be economi-cally fessible. What happens if, as many economic commenta-tors expect, the economy slides into recession in early 1989? Cutting the deficit then becomes economically count-er-productive.

Deficit reduction would also be politically lethal. Even on the basis of a mild recession

logical thing to do would be to

attention in the campaign.
Unfortunately, there is little to gain and much to lose by getting into specifics. All the evidence continues to suggest that, despite their concern

under the original Gramm-Rudman plan, this was the year that the budget was planned to balance. That target, receding with the political horizon, would be rescheduled until 1996 or 1997.

#### US to speed up distribution of AIDS drug

By James Buchan in New York

THE US Government, responding to intense pressure from the thousands of Americans suffering from Acquired Immune Deficiency Syndrome, said yesterday it would speed up distribution of a new drug to treat one of the most dangerous AIDS infections.

The highly experimental drug, known as Trimetrexate, is the first to be rushed out to AIDS patients since the Food and Drug Administration last summer relaxed some of its most stringent new-drug requirements in response to the AIDS epidemic. he drug, which is toxic in big

concentrations, will treat a form of pneumonia that is one of the main causes of death for victims of AIDS.

The drug will go out to two
groups of patients, numbering
some 1,100 people.
"Today's action reaffirms
FDA's commitment to
broaden early patient access
to promising experimental to promising experimental treatments for AIDS," said Dr Frank Young, commissioner of the FDA, the government authority responsible ensing new drugs.

Yesterday's announcement comes amid a clamour of criticism from patients and their supporters that the FDA and the National Institute of the National Institute of Allergy and Infectious Discases, which runs the Federal government's drug-testing network, were blocking access to promising drugs.

Though eight AIDS-related drugs are being tested in trials sponsored by the US Government only about 3 000 patients are involved. About 52,000 Americans have contracted the fatal disease since the beginning of the 1980 and 29,000 have died. The main treatment remains

he main treatment remains AZT, a severely toxic drug which is made by the Burroughs Wellcome subsidiary of Wellcome of the UK. The drug, which went into accelerated clinical trials before the new regulations, has been found to prolong the lives rimetrexate, first synthesised by Warner-Lambert in 1969. was proposed in 1985 as a potential treatment for Pneumocystis Carinii Pneumonia, which is one of the most com

## Borja edges ahead in Ecuador election

trade, and a further \$170m agricultural development loan from the World Bank.

A new letter of intent THE BRIEF panic which foloffered unconditional support,
lowed the first round of Ecunow that their own candidates ador's presidential elections has are out of the race. given way to negotiations and

A new letter of intent defining monetary and fiscal policy targets during the coming months is to be drafted in the remainder of the week, in the hope that IMF approval will be forth-coming by the end of the month permitting disbursement of the blocked funds. A further \$541m in fresh money from Argentina's Faced with the defeat of the government candidate and a choice beween Mr Rodrigo Borja and Mr Abdala Bucaram money from Argentina's commercial creditor banks, part of a \$1.95bm loan signed last year, is condi-tional on IMF acceptance of the letter. Disbursement of

After a rash of rumours sug-gesting that the Government

gesting that the Government favoured Mr Bucaram (mainly because of a long standing enmity between President Febres Cordero and Mr Borja),

Borja and Mr Abdala Bucaram for the second round, the establishment is swinging reluctantly towards Mr Borja. His moderate left of centre platform has begun to look safe compared with Mr Bucaram's unpredictable populism.

Mr Borja's 200,000 vote lead in the first round gives him a good start and already two other political parties have

Tebres Cordero and Mr Borja's torialised, the military are not likely to stage a coup to satisfy a clique of civilians.

With some 27 Congressional seats (the official count has not been completed yet), Mr Borja's Social Democrat party is in a strong position. An alliance with the Christian Democrate, who have said they will support him in the second round, would bring the numbers close

the grounds that a "mild" mili-tary dictatorship would be the best outcome. But Ecuador has struggled to

make democracy work since the armed forces returned to bar-racks in 1979. And as the country's most influential paper edi-torialised, the military are not

to a parliamentary majority. Mr Bucaram might find it difficult to form an effective Congressio-nal coalition among the dozen or so remaining parties.

The busy political manoeuvering has left little time for

discussing programmes and pol-icies. Mr Borja has stressed the

importance of a mixed econ-omy, with a strong role for gov-

rnment planning.

He favours controlled foreign investment and a further reneforeign debt. Mr Bucaram has been less specific; he relies on his image as the saviour of the poor and there are still weeks of campaigning to go.

# mon opportunistic infecti to attack AIDS sufferers.

## Haiti's troubles rebound on neighbours

HAITTS tortured effort to move from three decades of dictatorship to freely elected government has had an equally painful effort on its neighbours.

Amid a fair degree of confusion, compounded by misinformation, cynicism, ideological conflicts and frequently changing positions, Caribbean leaders have found themselves arguing with each other over the attitude to be adopted towards

Minister of Grenada, had ear-lier suggested a United Nations examination of Halti's controversial elections to determine whether the voting was fair.

Mr Blaize now says he is supporting Mr Manigat. So is Mr Edward Seaga, the Prime Minis-

tions, and will keep their dis-tance from a government led by

Prime Minister of Dominica: Bad elections are better than

of four leading candidates in the November elections to boy-cott the poll, and asked the mil-itary government in Halti to "the offending features of the electoral process.
Since then, however, the region has been split over how the deal with the developments

ter of Jamaica, and President in Haiti. While some countries, Jaoquin Balaguer of the Dominican Republic, which has a common border with Haiti.

But the governments of Trinidad in the summit, and have indicated and Tobago, Barbados and cated that they will have nothing to do with the government. St Lucia have indicated that ing to do with the government they are not happy with the elected in Halti, Jamaica sent conduct of the Haltian elec- an observer to the elections and then promised its support to

Mr Manigat.

The interest in Haiti is based to only on geographical proximity 17 elections, when the January 17 elections, when the 13 member Caribbean Economic

nomic community. The Divalier dictatorship, which made the application, had to be satisfied with observer status on some

standing committees of the community.

The Caribbean disagreement on Haiti started when Mr Seaga on Haiti started when Mr Seaga organised a splinter group widely criticised as giving more than tacit support to the Haitian military government, and to its sponsored elections. The group, the concerned Carlibean leaders, visited Haiti in December of the the shouter of the ber after the abortion of the November 29 voting, which was abandoned when 34 voters were murdered by armed gangs. Besides the Jamaican leader, it Based on these statements,

After a meeting with Lt Gen Henri Namphy, the Hattian army chief, Mr Seaga said the military had promised "proper security" for last weekend's toting the suggested weekend's voting. He suggested that the military should be blamed for all that happened on November 29, and that he had received assurances that the voting

tered. But when the Haitian Government decreed later that voting would be through open ballot-ing, Mr Seaga said this was At the same time, other lead-

At the same time, other leaders appeared to be taking a hard line on Haiti. Mr John Compton, the Prime Minister of St Lucia, said the Haitian army were "the ones with the gans, and they control the situation. if they do not want elections to take place, there is little the international community can do." The elections in Haiti, he argued, "do not satisfy a minimum criteria of being free and

and on public criticism of the and on public criticism of the Haitian military by the governments of Barbados and Trinidad and Tobago, the summit had been expected strongly to condemn Haiti's military rulers, and the conditions under which they were staging the elections.

The mild rebuke of the Hajtian rulers, and the absence of a strong statement distancing the community from the government emerging from the elections, were said by conference sources to have been a victory for Mr Seags and an endorsement of the Jamaican

"unacceptable" to the Caribbean group, and that the military government had been told of this.

At the same time other lead. than those contained in the communique. "The communique could have been stronger," suggested Mr Rasdeo Pandey, Trinidad and Tobago Foreign Minister.

The rift in the region has since grown. While several countries refused to send observers to the controversial elections, Mr Seaga sent Dr. Neville Gallimore, Jamaica education minister.

"Jamaica is not joining other nations who are washing their hands of Haiti," the Jamaican Prime Minister said. "It is inter-esting, to say the least, that states which accorded diplomatic recognition to the tyran-nical Duvalier regime should now contend that recognition should not be given to the government to be elected... Albeit under less than perfect condi-

The Jamaican position has come under further attact from Sir James Tudor, the Foreign Minister of Barbados, He said that as far as Jamaica's submission of a fair poll in Halti is concerned, it is difficult to state It was not long, however, that the opposite of the truth with the summit's position was greater precision.

For more details and bookings call SAA at 231-259 Regent Street, London WTR 7AD.
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rency change had caught US-backed Contra rebels unaware, leaving them with billions of worthless old bank notes stranded outside the country, Reuter reports from Managua.
The government ordered its borders closed on Tuesday and Wednesday to prevent rebels smuggling in the old bills. Today is the last day old bills can be exchanged for "new cor-dobs" notes.

tude to be adopted towards Haiti, and to government of president elect Leslie Manigat.

Mr Herbert Blaize, the Prime

Community criticised the condi-tions under which voting was proposed by Haiti's military rulers, but did not rule out the possibility of recognising the new government. In the words of Miss Eugenia Charles, the

the voting would be "seriously compromised and cannot there-fore be regarded as credible." They also attacked the decision

the new government.

included the prime ministers of St Vincent, St Lucia, the Netherlands Antilles and

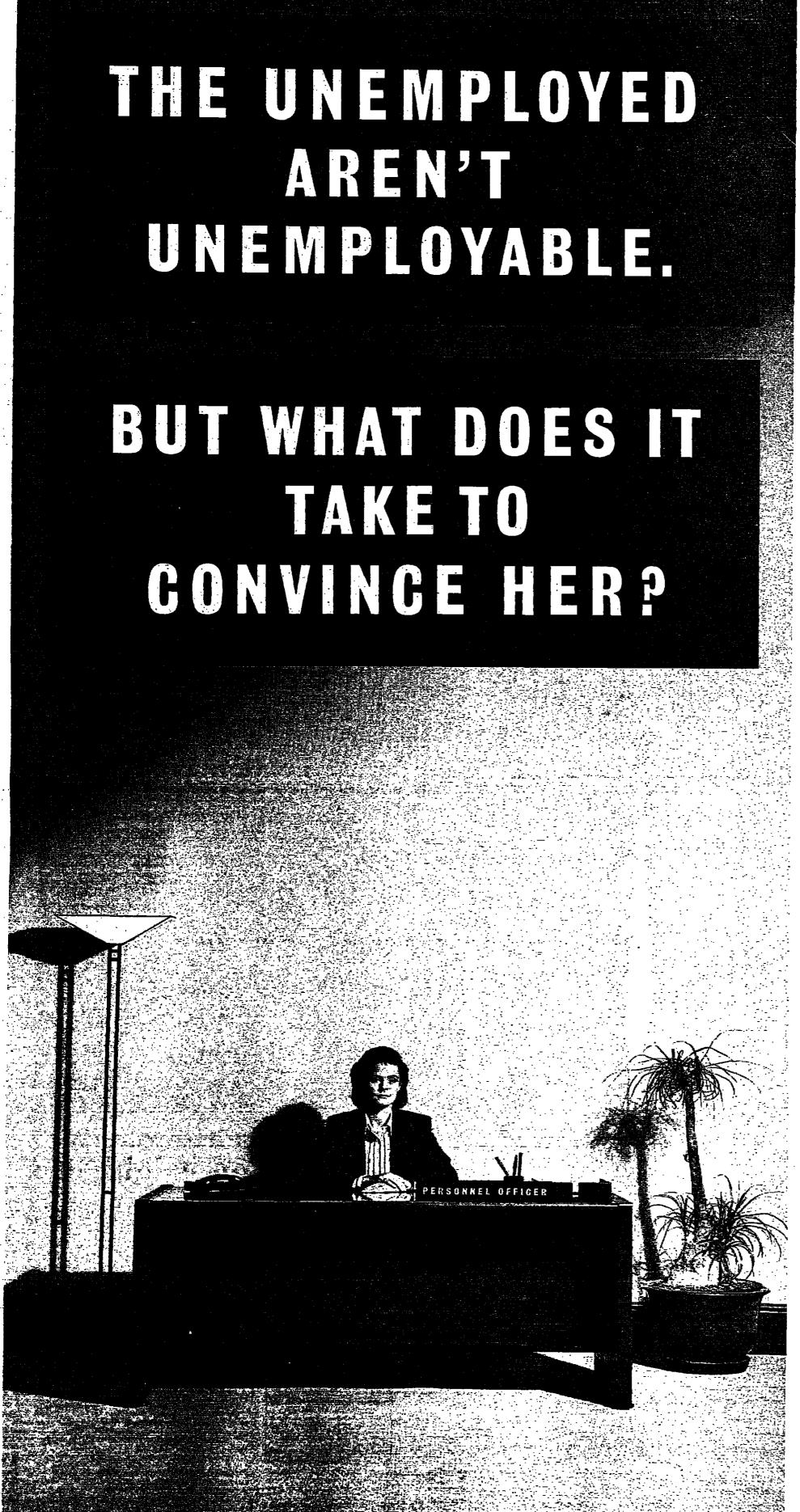
would be properly adminis-

position.

مكذا من الأصل

met Bush

in peeds tribution VIDS dry



The longer someone's unemployed, the harder it seems to be for them to get a job.

Not because they don't want to work.

Not because they aren't keen, experienced and ambitious.

And not, these days, because there aren't jobs to be had.

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And we'll send you someone who's far from unemployable.



There's a job to be done.

()[[[5

## Japan's plan for farm reform attacked in Gatt

BY WILLIAM DULLFORCE IN GENEVA

JAPAN's proposals for reforming world farm trade came the European Community the under fire in the General Agree- role of laggard in the farm ment on Tariffs and Trade's talks, one Cairns group negotianegotiating group on agricul- tor commented. ture over the past two days and were stubbornly defended by the Japanese.

The European Community charged that Japan was seeking to evade its responsibility as a major importer to open up its market to foreign produce. The US refused to accept Tokyo's equation of national food secu-rity with levels of self-suffi-

ciency in domestic production.

Australia, leader of the 13nation Cairns group, accused the Japanese of backtracking on commitments to liberalise agricultural trade taken at last year's seven-nation Venice summit and at the last ministerial meeting of the Organisation for Economic Co-operation and

While recognising the considerable political feat performed by the administration of Mr oboru Takeshita in putting together a farm trade offer against resistance from the powerful farmers' lobby, most

speakers rejected the outcome. They have complained that Japan, a major importer, was happy to follow the US and Cairns group in demanding an end to export subsidies on farm products but was also trying to introduce a new Gatt regime that would allow it to continue huge domestic subsidies to its rice producers and other small

Japan was taking over from

Mr Yoshio Hatano, head of the Japanese delegation, affirmed its proposals were fully in line with the OECD and other agreements. Japan recog-nised the importance of letting market forces function more effectively but negotiations had to take into account the roles agriculture played in ensuring a stable food supply.

Central to the Japanese approach is a country's right to maintain "a certain level of domestic production of basic foodstuffs". This, said Mr Hatano, called for a clear distinction between export and domestic subsidies.

Japan agreed, however, that domestic subsidies should be subjected to Gatt discipline, the details of which could be worked out during the current negotiations. As a gesture of goodwill, Tokyo proposes over five years to lower to their 1980 level government subsidies on farm products in "struc-tural surplus" - such as rice.

The discipline on domestic subsidies sought by Japan would extend the scope for exceptions to the general rule provided for in Gatt, but, Tokyo argues, this "improveance of rights and obligations between importing and export-

#### Philips, Soviet Union sign Fl 26m chip deal

PHILIPS, the Dutch electronics group, is to supply the Soviet Union with semiconductor equipment and technology for producing diodes in a contract worth Fi 26m (\$7.8m). The company sees the deal as a breakthrough in a promising

Moscow and still must be approved by the respective governments Philips said yes-

But it did not envisage any problems with the deal because

or technology that would infringe regulations under CoCom, the accord among West ern countries to restrict the flow of high technology to the Soviet Union.

Diodes are commonly available electronic components used in most consumer products, notably television sets. The production equipment, to be supplied by Philips' Elcoma division to the Soviet Ministry of Electrical Industry, will probably be installed in an roblems with the deal because existing factory in Tomilino, does not involve equipment near Moscow.

#### Soviet deal to dredge port in **Argentina**

A SOVIET company, Technostroyexport, has won a \$166m (£91m) contract to dredge one of Argentina's principal grain ports at Babia Blanca. The port's director, Mr. Jorge Cincunegui, said that when work was completed in about three years, Bahia Blanca will be "the best and most important port in the

The Bahia Blanca project involves dredging the harbour area and a 100km access canal to a depth of 45ft which will allow ships of up to 60,000-70,000 tonne capacity to enter and leave at all states of the tide. This will potentially double the port's capacity.

In the first 10 months of 1987, 2.2m tonnes of grain were shipped out of Bahia Blanca which is the most important wheat port in Argentina.

A study published last year estimated that Argentina's ports were among the most expensive in the world, mainly because of the shallow draught in most harbours. Many ships calling at Argenti-nian ports cannot, for example,

load to full capacity because of the draught problem which increases freight costs. In a related development, a World Bank loan of \$38m is to be used to rebuild the No 5

grain silo at the port, destroyed by fire three years ago. Dr Rodolfo Terragno, Minister for Transport and Public Works, said the Soviet bld for

the contract was 19 per cent cheaper than that of a rival French group. In addition, the Soviet company accepted the contract as being equivalent to the purchase of machinery and equip-ment which enables Argentina

agreements signed in 1982 and 1984. Under the agreements, Argentina committed itself to purchasing Soviet machinery and capital goods to reduce the substantial trade deficit the Soviet Union has maintained with

Argentina since the beginning

to fulfil obligations under trade

of the decade. Argentina's failure to honour the agreements, however, led to the Soviet Union reducing its Argentinian grain purchases in 1986 to a mere 580,000 tonnes. despite a five-year agreement to purchase 4.5m tonnes a year Last year the Soviet Union bought 3.4m tonnes.

France builds on East bloc sales

THE SIGNATURE earlier this in Czechoslovakia month of a joint venture agree-ment between Campenon Bergroup, and CEDOK, the Czech tourist authority, marks a step forward in France's efforts to

build up its share of the east

European market.

The FFribn (£99m) deal, to build a hotel in Prague and ren-ovate another in Bratislava, is the first joint venture between France and Czechoslovakia, where West Germany has tradi-tionally been the dominant Western trading partner. It seemed enough of a break-through to attract the presence in Prague of Mr Alain Madelin, the French industry minister.

But Campenon Bernard, a subsidiary of the water distribution, construction and services group Generale des Eaux, is following a line of French companies which have adopted the joint venture approach, introduced a year ago in the Soviet Union and since followed in several of its satellite countries, as a way into the Eastern bloc market.

"Today I do not see any other strategic option if you want to do business with these countries," says Mr Jean-Paul Dessertine, international director of Banque de l'Union Europeenne (BUE), which has framework agreements with framework agreements with both the Soviet Union and Bul-garia to promote Joint ventures and which was lead manager for the Campenon Bernard deal

BY NANCY DUNNE IN WASHINGTON

work yesterday on the omnibus trade bill which the Democratic

leaders have vowed will pass, if

necessary, over a Presidential

Mr Jim Wright, the House

Speaker, said earlier this week that the 190-member confer-ence committee would vote on

the final version of the bill by

The House and the Senate have passed trade bills which

are similar but differ in impor-

tant respects and the confer-

determine the shape of the final

The final version is then

scheduled to go to the House floor by April 1. A target date

was not given for a Senate vote.

Mr Wright added: "No ques-

tion in my mind, we'll pass a

March 23.

THE US Congress went back to that be necessary".

trade bill. . . with enough ment threatens retaliation votes to override a veto, should against countries with large

however, are automatically excluded from the provisions of Mr Dessertine says that the

George Graham on the significance of a French-Czech venture

two main economic policy the national plancountries are a drive for faster growth, after the more modest targets of recent years, and greater economic integration of the Council for Mutual Eco-nomic Assistance (CMEA). sertine says.

But if the first imperative implies greater openness to the West to draw on its technology and its management skills the second goal contradicts this, especially when central economic plans may stipulate that as much as 85 per cent of a country's trade must be with

trade, for example, is with the Soviet Union, and 83 per cent with CMEA partners. Joint ventures between East-

Two-thirds of Bulgaria's

other CMEA countries.

ern bloc and Western partners,

lishing group, sald yesterday that Elle, its glossy fashion magazine, would be published in China, Raymond Snoddy

The company has signed a joint venture agreement with the Shanghai Publishing House and Hachette believes it will be the first time a Western magazine has been published in China.

Hachette has joint venture deals with Mr Rupert Mur-

Congress returns to trade bill

President Reagan has frequently threatened to veto a

protectionist trade bill. How-

ever, the White House is hoping

the final version will be

stripped of its most objection-able features so that the Presi-

dent can obtain the provisions he needs, such as the negotia-ting authority for the current round of multilateral trade

The President's hand has

been strengthened by the recent

improvement in the US trade

The most controversial provi-

sion, sponsored by Congress-man Mr Richard Gephardt, who is seeking the Democratic nomi-

nation for President, is caught

up in a tangle of election year

politics. The Gephardt Amend-

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process through traditional techniques, but the joint venture seems to provide one of the best ways in, both commer-cially and politically," Mr Des-

It has proved laborious to get joint venture off the ground.

n the absence of a broad framework law, the Soviet Union has been keen to have all possible eventualities dealt with in the joint venture's stat-

This has brought a number of

#### ELLE TO PUBLISH IN CHINA

HACHETTE, the French pub-

along "most favoured nation" lines, allowing them to eatch up if better terms are later won for another joint venture.

You cannot break into this

difficulties. How, for example, do you value the land and buildings usually supplied by the Soviet partner in a country which has no property market? While the trail is still being blazed, Western negotiators

doch's News Corporation for producing both the American and British editions of Elle. Two issues of Elle will be produced in China this year and

four in 1989.

The first edition will show a selection of fashion from around the world and contain advertisements "even if certain tain products are still, unknown in China".

The magazine would be dis-tributed through 4,000 points of sale in China. Observer, Page 20

trade surpluses with the US.

It is believed that Democrats in the House and even Mr

#### Shamrock touch to duty-free at Moscow

By Our Dublin Correspondent

ASSENGERS at Moscow's Sheremetyevo airport will be in for something of a culture shock in future: from next May the Irish are moving in.
Under the terms of a contract

signed with the Soviet carrier Aeroflot in Moscow yesterday, the Irish airports authority. Aer Riants, and Aeroflot will Aer Rianta, and Aeroflot will jointly run two dury-free shops at Sheremetyevo which deals with 5m international and 14m domestic passengers each year.

Blessing for Aer Rianta involvement is believed in hate come from the Kremlin fiself Mr Eduard Shevardnadze, the Soviet Foreign Minister, is said to have lobbied for the Irish after being impressed by the duty-free shops at Shannon during stopovers.

during stopovers. Pan Am, the American airline, originally bid for the Sher-emetyevo contract but dropped out last month. Initially 20 staff from Shan-

Initially 20 staff from Siannon airport in Ireland will go as
sales assistants to Moscow
Both brish personnel and 150.
Soviet staff at the data-free
shops will wear uniforms with
a logo featuring the Irish shamrock and the Kremlin Star.

Aer Riants will supervise the
shops and sell Irish goods, panticularly Irish whiskey, at the
shops and on Aeroflot Hights. It
estimates that annual turnover
from the Moscow shops will be
\$20m (\$11m) BUE, which has signed a general agreement with the Soviet Union's foreign trade and central banks to promote joint ventures, now aims to create a risk capital fund to invest in future

#### Lovota move on **Philippine** assembly line

South Korean Ministry officials said the accord was reached during talks in Brus-

an annual growth rate of 5 per cent until June 1990,

A CONSORTIUM led by Toyota of Japan is to spend \$29m (£16m) on a project to refur-bish a car assembly line in the

In its application to the Board of Investments, the Japanese company said the consortium would buy the assembly equip-ment of Delta Motors, which assembled Toyota cars until 1984.

By ⊅∺

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#### Chartered Accountants

**Legal Notices** 

ESTIGATION BY THE MONOPOLIES
AND MERGERS COMMISSION

ed Merger of George Armitage & Sons. PLC and Hanson PLC The Secretary of state for Trade and industry has referred to the Monopoles and Mergers Commission for investigation and report under the provisions of the Fair Trading Act 1973 the proposed merger between George Armsage & Sons P.C. and Harson P.C.

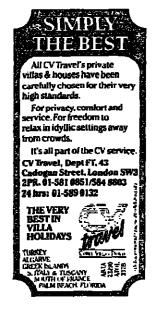
The Secretary Monopolies & Mergera Commission New Court 48 Cerey Street London WC2A 2JT

In the matter of Sundquist **Advertising & Marketing Limited** 

and in the matter of inactivency Act 1985 Sund quist Advertising & Marketing Limited Redistance number 1858352. Nature of busi-

ness Advertising Agents. Trade classification receiver(s) 7 February 1968. Name of person ting the administrative receiver(s) Capri com IV Limead R.E.C Cook & C W Nield Join Administrative Receivers office holder no(s) 5647/2452 Cork Gully St James's House Char-

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# **Company Notices**

NOTICE TO WARRANTHOLDERS OF **GUNZE LIMITED** Warrants

to subscribe up to Y14,005,000,000 for shares of common stock of ection with its U.S. \$100,000,000 2 per cent. Guaranteed Notes due 1992

NOTICE IS HEREBY GIVEN in accordance with Clause 4 (F) (iii) of the Instrument by way of deed poil dated 14th May, 1987 made by Gunze Limited (the "Company") in connection with its issue of bearer warrants ("Warrants") to subscribe up to Y14,005,000,000 for shares of common stock of the Company and Condition II thereof that the Company will execute a Supplemental Instrument by way of deed poll on or about 1st March, 1988 modifying the terms of the Warrants. The execution of the Supplemental Instrument will be subject to the appropriate resolution being passed at the annual general meeting of the shareholders of the Company to be held on 26th February, 1988, With Immediate effect from the date of such resolution the financial year-end of the Company will be changed from 30th November to 31st March. As a transitional measure, the Company will have a 4-month financial period from 1st December, 1987 until 31st March, 1988 and thereafter its financial year will be from 1st April until 31st March for the payment by the Company of annual cash dividends will become 31st March in each year.

The Dividend Acorual Period (as defined in Condition 4 of the Terms and Conditions of the Warrants), from the date of execution of the Supplemental Instrument, will be the 4-month period ending on 31st March in each year. Except for the change in the Dividend Accrual Period, the Terms and Conditions of the Warrants shall remain unmodified. Shares issued upon the exercise of any Warrant during the period from 1st December, 1987 to 31st March, 1988 shall entitle the holders thereof to participate in full in any dividend on the Shares with respect to the entire 4-month Dividend Accrual Period from 1st December, 1987 to 31st March, 1988 in accordance with Condition 4. This modification is not materially prejudicial to the interests of Warrantholders. It the resolution in question is not pessed a further notice to that effect will be

This modification is not materially prejudicial to the interests of Warrantholders. If the resolution in question is not passed a further notice to that effect will be published. The Warrantholders may assume that the Supplemental Instrument has been duly executed if no further notice is published after the annual general meeting of shareholders.

GUNZE LIMITED

Dated: 17th February, 1988

INTERFIRST TEXAS FINANCE N.V. US\$100,000,000 Guaranteed Floating Rate Notes due 1989

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# 2)To approve the balance sheet and profit and loss account of the Company for the facal year ended September 30, 1997

profit and loss account of the Company for the fiscal year ended September 30, 1987.

Sylo re-elect INTIMIS MANAGEMENT COMPANY N.V. as the Managing Director of the Company for the period expiring on the next Annual General Meeting.

4)To accept the realgradion of a member of the Advisory Board of the company and to elect a new member in scorriance with the provisions of Aricle 10 of the Articles of incorporation.

(5)To re-appoint MESSRS COOPERS AND LYBRAND, Curricas as the independent auditors of the Company for the Articles of incorporation.

(5)To re-appoint MESSRS COOPERS AND LYBRAND, Curricas as the independent auditors of the Company for the ensuing year.

7)To approve the remunication of the Managing Director for the fiscal year ended September 30, 1967.

8)To rathy, confirm and septions the esta of the Managing Director and the members of the Advisory Board during the fiscal year ended September 30, 1967.

9)To approve the office by the Company to sharsholders for the repurchase of its outstanding shares up to a total amount of USS 4 mill at a price per share equal to the unaudited net asset value per share as of Merch 31, 1988 less a 1 percent discount payable in cash This repurchase of the meeting. Copies of the audited balance sheet and profit and loss account may be obtained by all stransholders from the offices of the Company as well as thom the offices of the Company as well as thom the offices of the Company as well as them the offices of the Company as well as them the offices of the Company as well as them the offices of the Company as well as them the offices of the Company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices of the company as well as them the offices.

Holders of negistered and bearer shares anal be entitled to vote at the meeting in person or by proxy. Holders of bearer shares or their proxies must produce their share certificate(s) or a vouching banks, starting that share certificate(s) in respect of the number of shares in the voucher have been deposited until the end of the meeting.

INTIMIS MANAGEMENT COMPANY N.Y.

**COMPAGNIE DE** SAINT-GOBAIN Issue of Titres Participatifs

For the period of remuneration ending AUGUST 10, 1988 a T.M.O.E. of 8,8975 per cent or an ECU LIBOR of 6.5 per cent, as the case may be, will be used to calculate the coupon.

This coupon payable on AUGUST 10, 1988, will not be less than ECU 40,94 per time participatif of ECU 1,000 inducing for the period of an annual rase of 8,187 per cent.

Definitive coupon will be known after publication of the net consolidated.

ECU 100.000.000

WITH WARRANTS

#### Gephardt will agree to weaken the Amendment but they are closely watching the results of the Presidential primaries. If Mr Gephardt performs strongly in the primaries, Democrats may be less inclined to water down the amendment. Mr Lane Kirkland, president of the AFL-CIO, which supports the amendment, has said he

would agree to a compromise. "We continue, with the sup-port of the Speaker, to insist that whatever comes out must be substantive, must be force-ful, and must be effective and

not simply an expression of pious good wishes."

Mr Wright said he has met Mr James Baker, Treasury Secretary, and Mr Clayton Yeutter, US Trade Representative, in an effort to work out compromises

#### footwear exports to Italy SOUTH Korea has agreed vol-

Partly as a result, only rela-

tively small joint venture deals

have been signed so far. France has so far completed three con-tracts with the Soviet Union - a

hot metal spraying plant, a plastic bag and flower pot fac-tory, and a software venture.

Larger projects such as those of Pechiney for an aluminium

ackaging plant, or of Thomson

for a factory producing 500,000

television sets a year - partly

for re-export to France - are

expected to take much longer to negotiate in detail.

Big contracts which have already been signed, such as the crane manufacturing plant deal signed by the West German subsidiary of Switzerland's Lie-bherr, have in many cases in

fact been the conversion of an existing cooperation arrangement into a joint venture.

ventures, possibly beginning with Pechiney's. If a joint venture bank appears unlikely, joint ventures covering specific activities such as audit or leasing may be set up in the future.

Seoul to reduce

untarily to reduce its exports of footwear to Italy until 1990, the Trade and Industry Minis-try said yesterday, AP reports from Seoul.

sels with the European Commu-The accord calls for South Korea to ship 12.6m pairs of footwear to Italy this year, with a provision allowing for

Last year, South Korea shipped 15.1m pairs of footwear to Italy, according to the Korea Footwear Exporters Association.

Philippines if its application is approved by the Government, Richard Gourlay reports from

Toyota would take a 25 per

cent stake in the local consor-tium, while Mitsui of Japan - its partner in the Delta Motors venture until 1984 - would take 15 per cent, and a Filipino group, unnamed, 60 per cent,. Toyota said.

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**FINANCIAL TIMES** 

محدًا من الاحل

## Government sees £6.9bn surplus during January

THE Government yesterday confirmed the ample scope for sharp cuts in income tax rates in the March 15 Budget with figures showing that its finances this year are likely to be in surplus for the first time in nearly 20 years.

in nearly 20 years.

According to the Treasury, government revenues in the 10 months to January — the first 10 months of the current 1987-98 financial year — were running far ahead of spending, leaving a surplus on the public sector borrowing requirement of £6.9bn.

The figures suggest that My

sector borrowing requirement of \$6.9 bn.

The figures suggest that Mr Nigel Lawson, the Chancellor of the Exchequer, will be able to anmounce tax cuts worth perhaps \$4 bn or more in the budget while maintaining a "prudent" stance on borrowing. They will also intensify pressure on the Treasury to soften its refusal to provide additional resources for the National Health Service.

Mr Gordon Brown, Labour's Treasury spokesman, said yesterday the Government was "overflowing with cash while the NHS staggers from crisis to crisis". But the Treasury reaffirmed yesterday that there should be no expectations of extra cash in the budget.

In November the Treasury reafformeter a proposed that it is abouted receipts from in the present 60p to 50p but more recent speculation has been too nation at the proposed on a top rate of 45p, with only one other higher rate of 35p. In theory, the Government's Medium Term Financial Stratement was for the surgent a surplus for the whole of 1987-88 of between £3bn and £4bn would allow it official concern about inflation and a worsening treated outlook are likely to persuade the Chancellor to be more cautious.

The Bank of England is concautions of extra cash in the budget.

In November the Treasury reafformed yesterday that there should be no expectations of extra cash in the budget.

In November the Treasury reafformed yesterday is figures underline the favourable impact on tax receipts surged to the year were over 11 per cent higher than a year earlier as a result of buoyant earnings, profits and surging spending.

#### **Brum tries** a facelift to heal its '60s scars

ATTEMPTS to shed Birming-ham city centre's reputation as a monstrous carbuncle on the face of a not-very-much-loved friend are reaching fever pitch as the opening of its Interna-tional Convention Centre in 1991 approaches.
The city council said yester

aged to keep public spending well within its targets.

Much of the benefit of the additional revenues will spill over into 1988-89, giving Mr

Lawson the option of announcing a radical package of cuts in tax rates on March 15. It is thought in Whitehall that he

wants to cut the basic rate of income tax to 25p and significantly to reduce and simplify the top rates.

day that it was inviting 50 international architects and planners to a symposium next month to discuss ways of improving Birmingham's appeal and turning it into one of the world's great cities.

Just three weeks ago, the council announced that it was inviting architects from nearly

the top rates.

The general expectation is that the top rate will come down from the present 60p to 50p but more recent speculation has centred on a top rate of 45p, with only one other higher rate of 35p.

In theory, the Government's Medium Term Financial Strategy would allow it to announce tax cuts of up to \$10bn pext 300 countries to take part in an architectural competition to architectural competition to design buildings for six key sites around the city centre.

Both moves are part of a campaign launched last October to help rid Birmingham of its "concrete jungle" image. The city fathers are painfully aware that if that old-fashioned, popular entertainment, the music hall existed any more. Birming-

ular entertainment, the music hall existed any more, Birmingham — popularly known as Brum — would probably be one of its standard jokes.

Its centre is an archetypal example of the worst excesses of 1960s planning, when vast swathes of the city gave way to demolition and redevelopment. Two of the best-known products were the drab Bull Ring

Birmingham's Bull Ring centre: product of 1860s planning

Another product of that era was the ill-conceived inner ring road, a city centre motorway which separates the heart of Birmingham from its inner suburbs and consistently confuses visiting motorists trying to obtain access to the centre.

The development of the \$121m convention complex now being built around the central Broad Street area is part of the struction of the Bull Ring area recognise that ruefully recall a similar atmosphere 25 years ago and wonder what is to prevent a repetition of yesterday's mistakes. Nerves are therefore raw and easily tonched.

Last November, for example, Partly as a consequence, the furore while visiting the city, by describing the centrepiece of the proposed International Convention Centre as "a concrete missile silo."

Rotunda, a featureless, cylindrical office building which protrudes above the city skyline and serves as its only notable landmark.

Another product of that erawas the ill-conceived inner ring road, a city centre motorway which separates the heart of Riemingham from its inner sab-change its image and physical by London & Edinburgh Trust, those with those in service industries, such as the exhibition and conference business, tourism, and leisure.

Local planners recognise that if this strategy is to succeed, Birmingham will first have to put itself on the international map: to do that, it needs to Riemingham from its inner sab-change its image and physical

#### **Expatriates** offered home loans for Spain By David Lascolles

ABBEY National, the UK buildand society, is to offer mort-gages to expatriates who wish to buy property in Spain. The loans will be made under

new powers granted to UK building societies under last year's Building Societies Act to make loans overseas in other EC countries. Abbey said yesterday that it believed it was the first point to the recommendation of the said that the said terday that it believed it was the first society to take advantage of this new opportunity. The loans will be made through a newly constituted subsidiary in Gibraltar which will enable most of the documentation to be prepared in English, and the loan itself to be denominated in sterling. Abbey has secured the services of Spanish lawyers and valuers to facilitate the transactions. Loans will be charged at a

Loans will be charged at a fixed margin, initially 3 per cent, over the UK base rate which is now 9 per cent. The minimum loan is \$15,001, with no maximum, with a minimum term of five years and a maximum of 15. Loans will be made up to 60 per cent of the purchase price or valuation.

The service aims to provide a mortgage which is as close to

mortgage which is as close to the UK version as possible. The mortgages will initially be made on properties from Malaga to the Gilbraltar border.

## **Output up strongly** despite share crash

an RITISH industry's output relew strongly in the fourth 19 arter of last year indicating curit the October collapse in believe the UK is heading for recession. The figures add weight to those who think the the less to grow at a pace not Bahles to grow at a pace not Bahles to grow at a pace not Real since the early 1970s.

Real since the early 1970s.

The figures for industrial production and retail sales have confounded many analysts who believe the UK is heading for recession. The figures add weight to those who think the grow at an unsustainable rate.

The output of British manufacturing was nearly 22 per

Real since the early 1970s.
Real gures released yesterday by
T Central Statistical Office
sim w that manufacturing prosim w that manufacturing was nearly 22 per
cent higher at the end of last
year than at its worst time during the recession of the early
list is nearly 3 per cent higher
than its previous peak in 1979
and some 2 per cent lower than
its previous peak during the
sim w that manufacturing prosim w that manufacturing was nearly 22
cent higher at the end of last
year than at its worst time during the recession of the early
list is nearly 3 per cent higher
than its previous peak in 1979
and some 2 per cent lower than
its absolute peak during the
second of the early
sim w

hitehali officials, however, eve that manufacturing outis growing at an underlying
e of 6.5 per cent. Officials
id that on the basis of the
ta they have up to the end of
lecember there are no signs
that the economy is slowing

Taken with Monday's retail sales figures for January, which showed a growth rate of 6 per cent on the year, yesterday's figures confirm a picture of an economy where both output and domest here retained. put and demand have remained buoyant and proved extraordinarily resilient to the events of last October.

The output of motor vehicles The output of motor vehicles and parts grew by 16 per cent from the fourth quarter of 1986 to the fourth quarter of 1987. For the same period the output of paper, printing and publishing was up 11 per cent, other higher, while metal goods, and textiles showed gains of 8 per cent and 7 per cent, respec-

During 1987 the rate of growth of the energy sector of the economy continued to slow, however, or, in some cases, con tract.

## AIDS clause makes takeover history

BY PHILIP COGGAN

THE AIDS virus yesterday emerged as an element in a corporate takeover when an acquisition document disclosed that one protagonist in the deal had been diagnosed as HIV positive.

The document also included a clause stating that the remuneration of the mean concerned can ation of the man concerned can be varied "should he become unable to fulfil his duties on a full-time basis."

The document related to the acquisition of Hambrecht Terrell International, a New York design consultancy, by Michael Peters, the UK design group. It said that Mr Jim Terrell, one of HTI's founders and president of the company, had been diagnosed as HIV positive. This does not mean that Mr Terrell has the disease; rather that he has antibodies to the human immunodeficiency virus, the

Mr Terrell, principal in pacity.

charge of design at HTI, is on a five-year contract under which he is paid an annual salary of \$250,000 plus profit-related

\$250,000 plus profit-related bonuses.
Michael Peters is paying about \$10m (\$5.7m) for HTI. "They were very upfront about the problem" said Mr Will David of Hoare Govett, the brokers advising Michael Peters. "The decisions to buy the company and to pay that price."

immunodeficiency virus, the virus in offer documents, or to official name for the AIDS virus. It is as yet unclear how cancer or heart disease, many people classed as HIV positive go on to develop the illness.

Mr. Terrell principal in pacity.

#### Job training scheme for long-term unemployed

ing scheme, largely for the long-term adult unemployed, and a further tightening of measures testing the availability for work of those without

Ministers believe the new scheme, Britain's largest-ever training programme, is vital if the UK is to meet the internationally-competitive challenge of a fast-changing labour mar-Opposition leaders say, how-

ever, that the scheme, although currently voluntary, will become compulsory.

In a policy document published yesterday, the Government is accepting, in full, the ployed, and seek funds from ment is accepting, in full, the ployed, and seek funds from unanimous recommendation employers of about \$153m from the Manpower Services annually.

THE Government yesterday Commission to establish the announced a new, \$1.4bn train-new scheme. new scheme.
The scheme, as yet untitled. will start in September and will replace a total of 30 separate

programmes currently aimed at helping the adult unemployed. The target for the new uni-fied programme is 600,000 12-month training places annually. Mr Norman Fowler, Employ-ment Secretary described the scheme as the most important and ambitious training programme for the adult unem-ployed ever brought forward in

this country."
No new funds are being set

If we only made cash registers, local government



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#### **SCHLUMBERGER 1987 EARNINGS**

New York, New York, February 9 -- Schlumberger Limited reported that net income in the fourth quarter was \$316 million, \$1.15 per share, compared to a \$2.18 billion loss, \$7.71 per share, in the same quarter last year. The 1987 fourth quarter earnings include \$222 million, \$0.81 per share, resulting from a favorable tax-case settlement. In 1986, \$1.74 billion of nonrecurring charges and \$312 million loss from discontinued operations were recorded in the million loss from discontinued operations were recorded in the fourth quarter, Fourth quarter revenue was up 19% to \$1.30 billion. Euan Baird, Chairman, noted that several factors were responsible for Schlambaraman, noted that several factors were responsible for Schlambaraman. for Schlumberger's strong return to profitability. "First, actions taken last year to scale down the company to a level commensurate with cliffeld activity had a positive impact on out ability to compete and be profitable. Second, in the last six months, the number of statements of the profitable of the last six months, the number of statements of the profitable. the number of active drilling rigs rebounded from a steep slide in the first half of the year as our customers became more optimistic about the price of oil. The rig count worldwide at the end of 1987 about the price of oil. The rig count worldwide at the end or 1997 was well ahead of the previous year. Finally, except for Sedco Forex, where the large surplus of drilling rigs kept day rates depressed, prices for our oilfield services continued to improve. Baird indicated that Schlumberger Industries, the utility meters and electronics group, again showed profit gains; at Schlumberger Technologies, the CAD/CAM, automatic test and graphics group, results were improving slowly.

For 1987, net income was \$353 million, \$1.27 per share, compared to a loss of \$2.02 billion, \$7.02 per share, in 1986. Revenue was \$4.73 billion vs. \$4.94 billion a year ago.

The 1987 net income figure includes:

- Income from continuing operations of \$503 million, \$1.81 per share, including: \$222 million, \$0.80 per share, from favorable settlement of a tax case with the U.S. Government, and \$69 million, \$0.25 per share, gain on the sale of an investment in Compagnie Luxembourgeoise de Telediffusion.
- Loss from discontinued operations of \$220 million, \$0.79 per share, relating to the divestiture of the Fairchild Semiconductor
- Extraordinary gain of \$70 million, \$0.25 per share, resulting from an award by the tran-U.S. Claims Tribunal.

The 1986 net loss figure includes:

- Nonrecurring charges of \$1.74 billion, \$6.05 per share, primarily for write-offs in the Oilfield Services segment.
- Loss of \$363 million, \$1.26 per share, related to Fairchild Semiconductor which was accounted for as a discontinued

## **Britain begins** tough talks on Irish breakdown

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

attempt to prevent a further deterioration in relationships between the two countries.

The scheduled meeting of the Anglo-Irish intergovernmental conference, had already been expected to involve a tough exchange of views on a series of controversial security issues. But it was further complicated by Monday's premature disclo-sure that the British Govern-ment intends to make permanent the Prevention of Terrorism Act.

The Act was introduced by the Labour Home Secretary, Roy Jenkins in 1974, seven days after the Birmingham Public House bombings in which 21 people were killed, as a hurried but temporary reply to a wave of IRA bombing outrages on the IlK mainland.

At present, it has to be replaced by new legislation every five years and is reviewed annually by parlia-

Following the embarrassing information leak, Mr Tom King, the Northern Ireland Secretary, is yesterday understood to MPs - together with a renewal have explained the British Government's position fully, in tion - will continue.

BRITISH and Irish ministers advance of last night's report to "Insensitive", "clumsy", met yesterday in Belfast in an the House of Commons by Mr the more reliable to the House of Commons by Mr the House of Commons by Mr the more polite words used to Douglas Hurd, the Home Secretic mores by London over

had been notified, drew imme-diate criticism from members of

cratic Unionist Leader, said it ation as the Secretary of Northwas a "constitutional outrage" orn Ireland, Mr Tom King went that a foreign Government into yesterday's meeting of the should be notified under the Anglo-Irish conference, which terms of the Anglo-Irish agree- were once chat ment before MPs had been told. casual affairs.

Mr Jim Marshall, a Labour spokesman on Northern Ireland, said his party would repeal the Act at the first opportunity. Making it permanent, he added, would hand a propaganda gift to the IRA and further weaken Anglo-Irish relationships.

Mr King is thought to have told Mr Jerry Collins, the Irish Justice Minister, that new legislation to make the present Act permanent will come before parliament in 1989. But he will have explained that the exist-ing content of justice, Dublim believes London and the her between 1985. ing system of annual review by MPs - together with a renewal

Kieran Cooke looks at the breakdown in trust between London and Dublin

## Anglo-Irish diplomacy turns sour

THERE IS a distinct impression in Dublin these days that the British Government is involved in a none too subtle campaign to embarrass and anger the

describe moves by London over recent days and weeks. A meet-News of the intended changes, and of the decision to tell the Irish Government before the British parliament before the British Br only to add to the strain.

parliament. "Very serious" were the Dr Ian Paisley, the Demo- words used to describe the situwere once chatty, and distinctly

> Rarely have relations between the two neighbours been so difficult. At the centre of Irish anger is the British handling of the Stalker inquiry and the shoot-to-kill policy alleged to have been carried out by the Royal Ulster Constabularly in Northern Ireland in 1982.

don has betrayed the 1985 Anglo-Irish agreement, which gave the South a say in the affairs of the North.

Few signs of progress were evident yesterday after the four-hour meeting of the Anglo-Irish conference. A brief communique said only that both sides had consid-ered their positions and that the Irish ministers would report back to the Government in Dublin.

The Irish Prime Minister, Mr Haughey will today make a statement on Anglo-Irish relations to the Dail, the Irish Parliament.

Dublin also believes that the nationalist community in the North has lost faith in the administration of justice and

North has lost faith in the administration of justice and given grist to the propaganda mills of the IRA.

Britain, it is felt, has acted more like the old colonial rather than a partner in the struggle to find a solution to the problems of the North. By itself, the Stalker issue would need a great deal of deft diplomacy on both sides to solve. But other problems have arisen.

There was the failure of the appeal of the Birmingham Six – the Irishmen convicted of the killing of 21 people in the Birmingham pub bombings of 1974. To the majority in the Republic, this was yet another case of an increasingly antilizish slant to British justice.

Mrs Thatcher has said she neither could, nor would wish

neither could, nor would wish to, interfere in the workings of the British judicial system. Mr

Hanghey declared this unsatis-factory and said Angio-Irish bombings. relations were at an im

This week, two more bullocks This week, two more bullocks have been let loose in the Irish cabbage patch. First came the news, apparently "leaked" by incensed Irish officials, that Britain was refusing to abide essary provocation. The Social Democratic and Labour Party incensed Irish rules on extradition. Under the terms of an Extradition Act passed by the Irish parliament late last year, rorism Act permanent would be blow for the nationalist community in the North and provide another boost to the paramiliveted by the Irish Attorney vetted by the Irish Attorney taries.

Again, this has been seen as being an anti-Irish move. The leader of the Fine Gael opposi-tion in Ireland, Mr Alan Dukes,

wetted by the Irish Attorney
General.

If he is not satisfied with the evidence, if for instance the British authorities merely wish to interrogate the suspect or force him to pay taxes, then the extradition request may be refused. The Irish feel this is an entirely legitimate procedure. Further, they point to what they feel is British's somewhat questionable record concerning the extradition of its own subjects.

Sir Patrick Mayhew, the British Attorney General, is seen by the Irish as principal antagonist. According to Irish officials he refuses to co-operate with the terms of the new Act: as a result four or five British extradition requests have been "filed away". On top of this has come the news that the British Government plans to make permanent the Prevention of Terrorism Act, introduced shortly manent the Prevention of Ter- Ireland are destined to continue rorism Act, introduced shortly for some time to come.

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## Ford strike likely to end with offer on pay and conditions

BY CHARLES LEADBEATER, LABOUR STAFF

manual workers last night agreed to recommend a two year pay deal worth at least 14 per cent and to call off the national strike which has shut the company's 21 UK plants for the last mine days.

The dispute has cost the company bear the company's 21 UK plants for the last mine days.

roduction.

Workers will vote on the proposal to create work team

package in secret ballots on The unions also want stronger commitments on t company's plans to improve week.

week.

The agreement was reached after Ford dropped its proposal for a three year deal and agreed that changes to working practices could not be imposed workers' terms and conditions a revise skilled workers' p structure.

Ford's plans to revise p structures and improve many workers' terms and conditions a revise p structure.

It also amended its original pay offer to provide a 7 per cent increase in 1988-89 in addition to a 7 per cent rise in 1987-88. It had offered 7 per clear-cut union victories since the rest in 1997-89 followed by:

LEADERS OF Ford's 32,500 • Union negotiators called for

The dispute has cost the company more than \$140m in lost

without agreement at plant workers' terms and conditional level. had been based on spreading the costs over three years.

rise for 1988-89 of 2½ per cent 1983.

plus the inflation rate. Executives from Ford's world

It is understood the talks cen-tred on three elements of the hold talks today with TUC offi-

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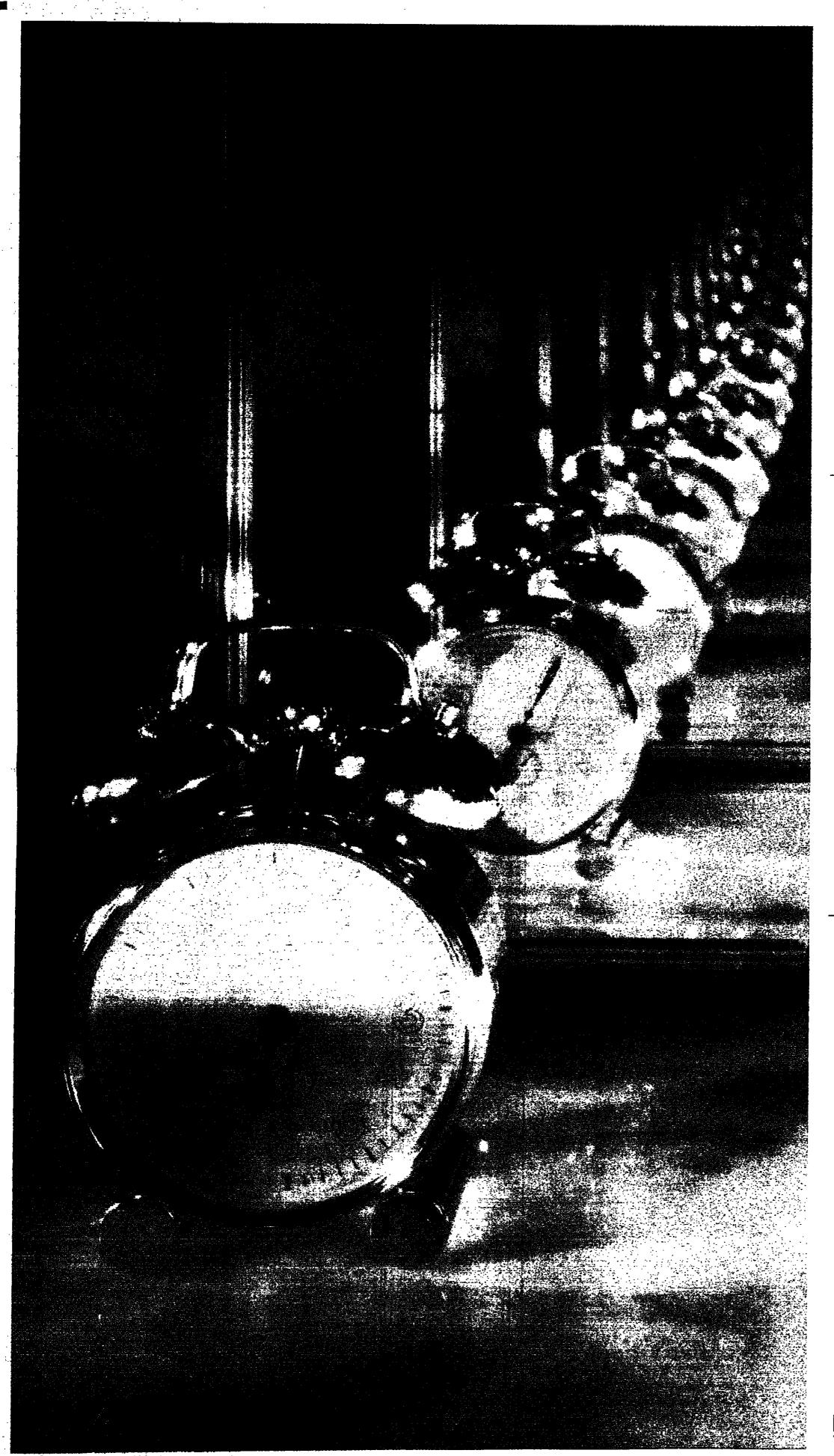
schedules of both you and your company.



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## Britain 'need not' change tax rates for EC market

market in Europe by the end of 1992 does not require the drastic changes to valued added tax accounting for 30 per cent of rates and excise duties proposed by the European Commission, according to the influential Institute for Fiscal Studies.

To a spalarity rubble dute to 24 per cent 12 per cent 12 per cent 12 per cent 12 per cent 15 per c In an analysis published yesterday', the IFS says that the
Commission's plans for two between countries would
rate bands for VAT should be reduce the risk of distortions in
replaced by simple floors, trade when customs barriers

which are geographically iso-lated from the rest of the Com-munity, such as the UK, Ireland and Greece, could be allowed to levy indirect taxes below the floor levels without harm to

it would not levy VAT on chil-dren's clothes, fuel for heating and lighting, and food – all items which are on the Commission's hit list.

two VAT rate bands: 4 to 9 per and evasion.

Cross-border shopping by services and 14 to 20 per cent for all other goods. At present, aged by different rates of indi-

systems company yesterday announced its Intention of tak-ing a larger share of the UK market for computer integrated

were hired to improve service

to manufacturers.
Nixdorf claims to have

installed systems for manufac-turing in some 100 companies in the UK, but these are rela-tively small operations.

Its sales for manufacturing applications last year in the UK amounted only to about \$3m

but it is aiming to raise this to \$10m this year.

Nixdorf to enlarge

NIXDORF, the West German The total UK market for com-computer hardware and puters in manufacturing and systems company yesterday for integration with other com-announced its intention of tak-ing a larger share of the UK at £600m to £1bn.

The company said its UK Nixdorf was coming too late operations had taken on 230 extra employees last year, between 50 and 100 of whom

This market is dominated by Nixdorf was looking at the pos-US manufacturers, in particular sibility of setting up a CIM cen-Digital Equipment and IBM, tre in Britain.

stake in Britain

allowing members states to set between members states are higher rates if they wish. lowered in 1992, Lord Cock-lt also says that countries field, vice president of the Commission and the architect of the plans, told a House of Commons select committee earlier this

The IFS disagrees. It argues:

Differences in indirect tax do not distort trade and, in parother countries.

The IFS arguments add weight to the UK's bitter rejection of the VAT standardisation plan. The Government pledged during the general election that rates are determined where goods are sold, not where they are produced.

It is possible to operate a system to handle differences in tax

rates at frontier checks, with-The Commission envisages out the risk of extensive fraud

Mr Chris Stephenson,

Large companies were still ancommitted to hardware sup-

nicommitted to hardware sup-pliers he said. "There are a lot of sites out there that are not as advanced as they might be." Nixdorf is a significant supplier of equipment for West German manufacturing companies, including Volkswagen, and has a computer integrated manufac-turing centre at Stuttgart.

Mr Stephenson said that

COMPLETION of a free internal VAT rates in the Community rect tax. But it is up to each it wants, since it would be the only one to suffer from the result. A minimum level of VAT and excise duty would be needed to prevent all countries being forced to lower their rates to the lowest common

> However, countries such as the UK should be excused even the minimum rate. The IFS says: "The English Channel, and more subtle matters of culiand more subtle matters of com-nary preference, are presum-ably the main reason why the French would not flock to the UK to buy zero-rated food, and the imposition of 4 per cent VAT on food in the UK would be relikely to have much effect

> on this.' Lord Cockfield on Monday told a committee of MPs that Britain's resistance to the pro-posed standardisation of VAT rates across Europe could result in trade barriers being erected against it.

"Fiscal Harmonisation: An riscut Marmonisation: An analysis of the European Com-mission's proposals, IFS, 180/ 182, Tottenham Court Road, London, WIP 9LE. Price 26. (members: £3).

Hurricane

havoc cost

over £860m

THE HURRICANE which struck

southern Britain on October 19 last year cost insurance compa-

nies in the UK a total of £860m

in claims so far, according to the latest estimates from the

Association of British Insurers.
Claims on damage to property
are estimated at \$835m, with
the the cost of damage to

domestic property accounting for over \$600m of this total

Claims costs arising from dam-age to motor vehicles amounted

This is by far the largest amount paid out by UK insurance companies after one weather catastrophe – the

highest previous pay-out being \$327m - a result of the prolonged "arctic" weather which affected Britain in the winter of 1981-82.

However, the ABI estimates that the total cost of damage caused by the hurricane could

be well over \$1bn. About one householder in four does not

insure the contents of his

by insurance companies, who

report that more are yet to

The ABI estimates that in

southern England, around one household in six suffered dam-

age as a result of the hurricane. About three-quarters of house-

About three-quarters of house-hold claims related to the build-ings – damaged by falling trees, or with displaced tiles and col-lapsed walls.

The insurance companies have settled over 785,000 claims – nearly two-thirds of the total, while for many of the outstanding claims, the compa-nies have made interim nav-

nies have made interim pay-ments or are awaiting the final

The extent of the impact of the hurricane is illustrated by the 1.2m claims so far received

insurers

By Eric Short

#### Alcohol tax reductions 'would hit Treasury'

LOWERING UK alcohol and tobacco duties to those of other EC countries would cost a huge amount and stimulate extra consumption, says the

Alcohol consumption would increase by a third, due to a 90 per cent reduction in the duty on wine and a 75 per cent fall in duty on beer. This would cost the Exchequer nearly \$2bn. If the amount of alcohol consumed were to remain

unchanged, the loss to the Treasury would be a massive \$3.9bn, says the IFS. Duty from eigarettes would fall by \$700m, or \$900m if consumption did not increase as prices fell.

These reverue losses would

he more than countered by be more than countered by extra VAT levied by widening the tax base. Putting the minimum 4 per cent VAT on items like food and fuel would result in an extra \$800m a year for the Treasury, after taking into account the excise losses. account the excise losses.
Food would yield \$1.5bn,
fuel \$600m, clothing \$500m,
and travel \$100m.



Nurses picket outside the Mandesley Hospital in south London yesterday as health workers held their latest protest at the state of the National Health Ser-vice. Mandesley was one of a few hospitals hit by strikes. The day of action was organised by the Con-federation of Health Ser-

Trades Union Congress. Trades Union Congress.
Cohse said 10 hospitals
would be hit by a 24-bourwalk-out, but few nurses
actually failed to report for
duty. Most staff on picket
lines across London and the
South East of England were
nurses, porters and ancialiary workers on tea and
lunch breaks.

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## The major insurance groups will be reporting their 1987 results over the next few weeks, starting with Royal insurance reporting on February 25. Many companies are therefore reluctant to give their own hurricane claim costs

ahead of the results.

Sun Alliance Group, the largest insurer of house buildings in the UK, could be paying out around £120m, while Royal Insurance, the second largest, admits to costs of £105m.

In contrast, the cost to Pru-dential Corporation, the largest house contents insurer in the UK, is only \$35m gross, show ing that damage to contents was far less severe.

Many insurance companies reinsure claim costs above a certain limit. But last year, nei-ther Sun Alliance or Royal carried reinsurance on the domes-tic property portfolio.



#### **IMPALA PLATINUM HOLDINGS LIMITED**

(incorporated in the Republic of South Africa) Registration No.57/01979/06

**INTERIM PROFIT STATEMENT AND DECLARATION OF INTERIM DIVIDEND** 

The unaudited consolidated results of this company's operations during the six months ended 31 December 1987, are as follows:

6 months 6 months

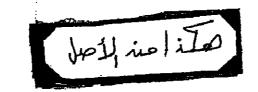
	to 31.12.87 R000	to 31.12.86 R000	%	to 30.6.87
Sales revenue		NOCO	Change.	ROOG
(Platinum and by-product metals produced)	781,949	557,156	+40.3	1,272,395
Consolidated profit for the period	297,402	229,442	+29.6	519,538
Less: Taxation and lease consideration	152,340	103,021	+47.9	244,284
Profit for the period after taxation		<del></del>		
and lease consideration Less: Transfer to reserve for expenditure	145,062	126,421	+14.7	275,254
on mining assets	64,884	72, 441	-10.4	180,000
Profit for the period after taxation, lease consideration and transfer to reserve		<del></del>		
for expenditure on mining assets	80,178	53,980	+48.5	95,254
Earnings per share (cents)	252	219	+14.7	477
Earnings per share after transfer to			445	<b>~</b> //
reserve for expenditure on mining assets	139	94	+48.5	165
	60	45	+33,3	

produced by the company, which lead to a higher volume of sales. **GAZELLE PLATINUM LIMITED** 

Whilst the development of this company's new Karee mine is proceeding, the most appropriate manner of funding the project has yet to be decided. Interim funding for the project is being provided by Impala Platinum Ltd.

INTERIM DIVIDEND declared on 16 February 1988 - Payable on 7 April 1988 Amount per share 60 cents - Currency conversion 29 March 1988

Copies of the full interim report may be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6UA



#### **MANAGEMENT**

THE FINANCIAL TIMES IS undertaking a major survey which should shed new light on the effective use of information technology (IT) for competitive advantage, Over the next few days, some 1,000 chief executive

Paristy In 1988

1.1.

officers from a randomly chosen selection of I'K companies will be invited to complete anonymously a postal ques-tionnaire designed to examine their opinions of the use of nformation technology in

their own organisations.
For the purposes of the survey, IT is defined as computers and computer-related technologies such as electronic communications systems and factory and office automation.

The furpose is to discover whether CEOs are, on balance, satisfied that their companies are using IT effectively, how they assess its effectiveness and whether they see it as a principal component of corporate strategy.
A number of business sur-

veys dver the past few years have asked similar questions but have generally been addressed to data processing managers or management services directors.

The term "information technology" is only about 10 years old. It was born out of a realisation that microelectronic technology, through its low cost, could make possible new ways of doing business.

For the first time, computer technology could be used directly to help executives and professionals in areas such as marketing, advertis-ing and planning, as well as design and manufacturing. But it has proved difficult to justify investment in these new uses of computer power

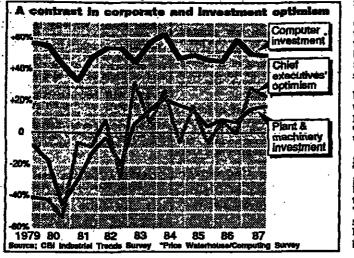
The advent of IT marked the "third phase" of the busifirst, which lasted roughly from 1950 to 1970, was characterised by the installation of mainframe computers in data centres - chiefly inn-tended to carry out "back office" functions, ledgers, payroli and so on. It was comparatively easy to justify the sizes which make computer systems research division, considerable investment in power available to the user recently said that most did no terms of the heavy labour

ters, cheaper than main- operates. frames but capable of a subiuries, branches, even depart- business.

Information technology

# **Effectiveness** put to the test

Alan Cane introduces a Financial Times survey



ing - a vital service without which the business would accounting practices.
soon grind to a halt, but some Many senior mana

with microcomputers con-nected together in communipossible the information tech- grow nologists' dream of "distrib- year.

without the need for any cost justification at all. knowledge of the way the net Surveys in the UK in osts saved. knowledge of the way the netIn the 1970s, minicompuers, cheaper than mainoperates. knowledge of the way the netsimilar shortcomings. Consultants Peat Marwick McLin-

systems with traditional cost Many senior managers are thing best left to the technicians. It was not seen as an essential ingredient of company strategy.

In the property of sizes and industrial case of the seen that they see the company strategy.

In the property of sizes and industrial case of the seen that they see the company strategy.

In the property of sizes and industrial case of the seen that they see the company strategy.

information systems managers have begun to accept that ness computer revolution. The cating networks. This made their budgets will no longer grow automatically year on

> beginning to dominate investment on IT on their bot-systems thinking today, tom line. Professor J.L. implies a company-wide net- McKenney, head of Harvard work of machines of various business school's office became less clear.

The computer system, in tock recently reported that stantial workload, made it fact, integrates and controls many large companies have possible for individual subsid- the various elements of the difficulty in identifying or measuring the benefits of

results suggesting that mis-guided investment in IT can do a business more harm than

good.
Professor Igor Aleksander,
head of the unit, suggests IT
is like a telescope; it magnifies both advantages and disadvantages.

Management consultant Price Waterhouse has been collecting evidence to show that many manufacturing companies are still using out-dated cost accounting techniques to measure the bene-fits of advanced manufacturing techniques.

Nevertheless, it is becoming clear that there are benefits to be gained from information technology, even if neither business-people nor scademics are yet sure how to mea-

sure them.

Butler Cox, the London-based consultancy, has drawn up a list of some 100 examples of companies which have exploited IT to commercial

advantage.
It is against this back-ground that the Financial Times survey has been planned. It has been designed by Dr Kit Grindley, a consultant with Price Waterhouse To ensure anonymity and security, Price Waterhouse has agreed to carry out computer analysis of the results.

Grindley has, over the past decade, designed and anaabout as important to CEOs with only patchy success. A lysed a quarterly survey of and to the board of directors as the plumbing or the light-ficult to reconcile such results of which are published in the newspaper Computing.

Addressed to data processing managers in about 1,000 UK organisations of a wide pany strategy.

That began to change with the coming of the microcomthe coming of th remarkably accurate in detecting significant trends in ing managers realised they would never be able to recruit sufficient staff and put meet-ing project deadlines at the of their list of anxieties. uted computing".

Studies show that few are It also accurately predicted This concept, which is able to estimate the effect of the point at which managebeginning to dominate investment on IT on their both ment decided to rein in spending as the concept. ing on data processing as the benefits of further investment

> This survey is now being repeated in the US, Australia and Japan. Grindley has used his experience in designing these questionnaires when planning those for the Finan-cial Times survey.

Chief executives and managing directors who would like to contribute to the suriarles, branches, even departments to have its own machine.

This second phase of "decentralised" computing developed in parallel with mainframe computing the benefits of the contribute to the survey but who have not received a questionnaire may write for a copy to: Financial College, London University, one of the few academic units organisation's strategic thinking the life to contribute to the survey but who have not received a questionnaire may write for a copy to: Financial College, London University, one of the few academic units organisation's strategic thinking the benefits of IT, has like to contribute to the survey but who have not received a questionnaire may write for a copy to: Financial College, London University, one of the few academic units organisation's strategic thinking the like to contribute to the survey but who have not received a questionnaire may write for a copy to: Financial College, London University, one of the few academic units organisation's strategic thinking the benefits of IT, has like to contribute to the survey but who have not received a questionnaire may write for a copy to: Financial College, London University, one of the few academic units organisation's strategic thinking the benefits of IT, has like to contribute to the survey but who have not received a questionnaire may write for a copy to: Financial Times Chief Executives Computers.

## **Oiling** wheels at the double

A married couple tell Michael Skapinker how Esso's equal opportunities policy affects their jobs

WHEN RACHAEL ROSS got married last year, she told managers and union representatives at Esso's Fawley refinery that they should continue to call her by her maiden name.

The union representatives, managers found it puzzling. was used to As an industrial relations situation."

woman to hold her position. certain culture which is simi-Her tasks include advising lar to the culture of a boys' management on industrial relations and liaising with representatives of the blue collar workforce.

Her husband, Robin Schneider, 28, hopes to see more women taking up positions of responsibility at Esso. He too worked at Fawley, where the two met. He is now based in London, as Esso UK's head of staff relations. One of his main areas of responsibility is the implementation of the company's equal opportunities programme. Schneider and Ross occa-

sionally appear on the same platform to talk about equal opportunities at Esso.
Ross joined Esso in 1984,

after graduating from Cambridge with a degree in modern languages. What was it that attracted a woman with an arts background to a com-pany in an overwhelmingly male industry?

While I was studying lan-guages I don't think I considered industry as a possible option. One just didn't meet people in industry. I guess it was when I made the decision to go into personnel that I realised that there were a number of different options. I began to feel that industry did have a lot to offer and would perhaps be more excit-ing than, say, retailing.



Robin Schneider and Rachael Ross: advocating career breaks

"There was certainly a part resolved it. One of the union recruits from ethnic minoriof me that said, 'it's going to be harder in industry than in retailing where there are she recalls, had no trouble been to a boys' boarding accepting her request; the school in the sixth form, so I was used to a male-dominated

adviser at Fawley, Ross After a year in Esso's Lonspends a lot of time talking to don offices, she was transmale shop stewards. If any of ferred to Fawley to work in them object to dealing with a the recruitment section. The woman, they haven't told her. job entailed contact mostly Ross, who is 25, is the first with "engineers, so there is a



boarding school. There aren't pillow fights or anything like that, but you are aware of the culture.

Ross spent two years working in the recruitment and compensation area before moving to an industrial relations job at Fawley. She thinks that being a woman helps her to do her job more effectively.

"As an employee relations person you are expected to be a bit different from the management team and from the engineers. You are providing independent advice, so in a way being different didn't matter because it was part of the role

She adds that "one example of where I found being female a real advantage was when we had a dispute. We had a

guys said it had helped that I ties might be reluctant to was a woman because they didn't let rip. Usually it's eff-

ferent approach that women does employ. Schneider says bring to their work. He says that this is a major difference comed by union representabetween equal opportunity tives, programmes in Britain and "It's the United States. shops

In the US, he says, corpora-But they are expected to behave like their male col-leagues. They are not given The survey has been backed any special dispensation up by awareness-raising semiwhen they have children, for

Men, too, can take advanare available to all employees reasons, whether to look after elderly relatives or young

The proportion of women in the company's graduate intake has increased from 13 portion of male managers is got support from the top. still overwhelming. "The fundamental reason

apply.

The company is conducting I was there they tried to keep things calmer."
Schneider welcomes the different approach that well a survey to determine the ethnic origin of all its employees in an attempt to find out how many blacks. many blacks and Asians it does employ. Schneider says the survey has been wel-

"It's been supported by shop stewards. When Rachael had a meeting with the maintions have recruited large tenance negotiating commit-numbers of women managers. tee, they all filled in the survey at the meeting to show

nars, attended by all Esso example. employees. The seminars, ne Esso UK, by contrast, has says, are not an attempt to just instituted a system of "transplant ideas into people, career breaks, under which It's not a brain transplant job. women who leave to have We give them some statistics. children are encouraged to We say, this is what we see maintain their links with the as the problem and this is company and eventually what we're trying to do'. Most return to full-time work. people respond positively. At the end of the day you can't tage of career breaks. They impose equality of opportunity from the top down. If who need them for family people don't want it to hap-

pen it won't happen." Having said that, Schneider children. regards support from the top
Esso UK's drive to recruit
women has had some success. gave its approval to an equal opportunities policy in 1984. You're wasting your time unless you've got the board per cent in 1984 to 35 per behind you. Initially (equal cent in 1987. But because the opportunities) will be seen as company, which has 5,000 peripheral to people's jobs employees, recruits less than and anything that's periph-100 graduates a year, the pro- eral won't get done unless it's

still overwhelming. The fundamental reason Schneider concedes that far that the board is behind it is ess progress has been made they see we're running into a in the recruitment of ethnic skills shortage in this coun-minorities. Esso, he says, still try." Unless you extend your suffers from the "white chill search for talent to the entire we had a dispute. We had a factor"; there are so few population, Schneider says, group of managers and union blacks and Asians in the "you're shooting yourself in guys in my office and we organisation that potential the foot."

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#### **APPOINTMENTS**

#### Top board posts at intended to preserve discrimi

Wheeler Power Products.

BLANCHARDS has appointed

Ms Jean Woolley as non-executive chairman of Moyses Stev-

## No damages for retirement discrimination

DUKE v GEC RELIANCE SYSTEMS LTD House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): February II 1988

compelled to retire at an discrimination against a earlier age than her male woman "by dismissing her". colleagues is not entitled to Reliance admitted discrimi-damages if her dismissal nation by dismissal, but took place before the intro-denied it was unlawful ment ages were not unlaw-

The House of Lords so held when dismissing an appeal by Mrs Ethel Duke from a Court of Appeal decision that she section 6(4) preserved the states to put into effect equal treatment for social security within six years, but which did not require the abrogation

Mrs Duke was employed by now appealed.

Nibit discriminatory ages of Reliance. Its policy was to On February 9 1976 the enforce retirement of employ- Council of Ministers of the Marshall [1986] QB 401,420 enforce retirement of employess when they reached the
pensionable age of 60 in the
case of women, and 65 in the
case of men.

On February 1976 the February 1976 the Marshall [1986] QB 401,420

Was that the Social Security

Directive allowed discrimination of which was to put into effect

Marshall [1986] QB 401,420

Directive did not possess section 6(4) were not reasondirect effect as between indiably capable of being limited viduals [see article 189 EC to the meaning ascribed to them by Mrs Duke. They were ees when they reached the European Community adopted was that the Social Security pensionable age of 60 in the an Equal Treatment Directive Directive allowed discrimina-

been discontinued before 65. Mrs Duke claimed she was

the victim of discrimination on the grounds of sex, and that she was entitled to damages under the Sex Discrimination Act 1975 because the A WOMAN who suffers dis-was unlawful by section 6(2) crimination in that she is of the Act, which prohibited

Reliance admitted discrimiduction of the statutory because, by section 6(4) of tort of unlawful discrimina- the Act, section 6(2) did not tion in 1986 because, antil "apply to provision in relation then, discriminatory retire—to death or retirement". If the dismissal was an

ful by English legislation, unlawful act of discrimina-and the EC law requirement tion, by sections 63-66 of the of equality did not have Act [as amended by the Sex direct effect and was unen-forceable as between indi-

was not entitled to damages right of an employer to operagainst her employer, GEC ate discriminatory ages of Reliance Systems Ltd, in retirement. The decision was respect of her enforced retirement. The UK government considered that the Equal Treatment LORD TEMPLEMAN said that Court of Appeal. Mrs Duke

Had she been a man her social security. It provided In Marshall the European could not claim damages employment would not have that equal treatment with Court decided that dismissal against Reliance simply for on grounds of sex."

> ance with the Directive Treatment Directive. expired on August 12 1978. Before that date the UK took under the Treaty to give A British court would a law of adequate compensa-no steps to repeal or amend effect to EC legislation as con-section 6(1)(A) of the Equal strued by the European to conclude that UK law was Pay Act 1970 or section 6(4) Court, and following Mar-consistent with EC law. But osition that a court must dis-

employment.
On December 19 1978 the EC Council adopted a Social Security Directive (79/7/ EEC), which obliged member

It ceased to employ Mrs the principle of equal treat- able ages and retirement ages binding...upon each member Duke after she attained 60. ment in employment and ran in harness. \_\_\_\_\_ state"]. Mrs Duke therefore

regard to working conditions, of a woman solely because breach of the Directive. including the conditions govshe had attained the qualifyerning dismissal, meant that ing age for state pension
"men and women shall be "which age is different under
guaranteed the same conditions without discrimination and for women", constituted
and for women to the Dream of the Drea discrimination on grounds of manner which gave effect to The time limit for compli- sex, contrary to the Equal the 1976 Directive as con-

Pursuant to its obligations in Marshall. of the Sex Discrimination Act shall, the UK enacted the Sex the construction of a British 1975, both of which made dis- Discrimination Act 1986. It Act of Parliament was a matcriminatory retirement ages amended section 6(1A) of the ter of judgment to be deterlawful. The 1970 Act and the 1970 Act, and section 6(4) of mined by British courts, and the 1975 Act, so as to render to be derived from the lansingle code dealing with discriminatory guage of the legislation concriminatory guage of the legislation conretirement ages as between sidered in the light of circummen and women. The 1986

On December 19 1978 the Act was not retrospective. of the enactment. Act was not retrospective, of the enactment.

could therefore show that her ing, as if they were intended forcible retirement before to carry out the UK's EC law reaching 65 was discrimination contrary to the requirements of the Equal Treatment intended to give effect to the

strued by the European Court ity for the proposition that

and did not avail Mrs Duke. In Garland [1983] 2 AC

Marshall decided that the 751, 770-771 Lord Diplock Equal Treatment Directive said that it was a principle of required member states to construction that the words prohibit discrimination with of a statute passed after the regard to retirement or dis-missal in accordance with an "if they are reasonably capa-employer's policy. Mrs Duke ble of bearing such a mean-

Directive. Equal Treatment Directive as
But Marshall also decided subsequently construed in

natory retirement ages.

The Equal Treatment Directive did not specify the

nature of the remedies which the member state must afford to a victim of discrimination. In Von Colson [1984] ECR 1891 the European Court ruled that the state was free to choose solutions suitable for achieving its object, but if it chose compensation, the compensation must be ade-

Von Colson was no authorthe court was bound to invent tort the meaning of a domestic statute so as to conform with EC law which was not directly applicable.

It would be most unfair to Reliance to distort the construction of the 1975 Act in order to accommodate the 1976 Equal Treatment Directive as construed by the European Court in 1986 in Mar-shall. As between Mrs Duke and Reliance, the Equal Treatment Directive did not have

The appeal was dismissed. Their Lordships agreed. For Mrs Duke: Michael Beloff

QC and Judith Beale (Bind man & Partners) For Reliance: Eldred Tabachnik QC and Patrick Elias (Barlow Lyde & Gilbert)

**Rachel Davies** 

**Foster Wheeler** Mr William C. Chatman has been appointed chairman of appointed Mr John M.F. Dibbeen chief executive and managing director of the group since 1986. He joined the group in 1952 as a process design

in 1952 as a process design engineer. Mr Chatman succeeds Mr D.V. Newbold, chairman HIGHLANDS INSURANCE COMPANY (U.K.), a Halliburton company, has appointed Mr L. Clarke as an alternate director since 1979, who is retiring. Mr Timothy M. Evans has been appointed deputy chairman. He joined Foster Wheeler in 1966 for Mr H.G. Dable (US), Mr C.S. Henderson as alternate for Mr D.E. Walker (US); Mr N.A.M. Malim as alternate for as commercial manager, became company secretary in 1971 and a director in 1973. He is a direc-Mr J.D. Morgan (general manager); and Mr G.D. Trowbridge tor of a number of subsidiaries, and of Rolls Royce and Associates. Mr Chatman and Mr hens (US). Mr K. Gray becomes the Evans will become chairman an assistant director; Mr T.N. Sparkes is made non-marine underwriting manager, and Mr T. Mason deputy non-marine and deputy chairman respectively in Foster Wheeler's main UK operating subsidiaries, Fos-ter Wheeler Energy, and Foster underwriter.

Frizzell UK, commercial insur-Frizzell UK, commercial insur-ance broking arm of THE FRIZ-ZELL GROUP, has made the fol-lowing appointments: at Frizzell Bolton Corder - Mr Ken Mason (divisional director); Mr Ken utive chairman of Moyses Stevens. Ms Julia MacDongall (divisional director); Mr Ken becomes managing director, Ms (divisional director and Jo Avison, sales and marketing director, and Ms Heather Hollingshead as administration director.

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BOHON COURSE

Kay (divisional director); Mr Ken regional managing director); Mr Rill Lowes, Mr Terry Wheeler (regional directors); and Mr Pani Skinner (broking director). Mr Pani THE PA CONSULTING GROUP

THE PA CONSULTING GROUP

Branden, a director of L.F.

Risk Management, becomes a finance sector. He director of bank consulting at Glendinning.

Mr David Walker, managing director of Frizzell de Employee Benefits, becomes a director of Frizzell UK. Mr STANDARD CHARTERED BANK as general manager, information systems. He was head of group technology, Swiss Bank Corporation International, London.

EUROPT

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#### EUROFI has appointed Mr Board posts at County NatWest

John Goodman as sales direc-tor. He was chief executive of the Institute of Sales and Marketing. Mr Ian Armstrong and COUNTY NATWEST has Mr Malcohn Troup have been appointed Mr Tony Baker and appointed associate directors.

Mr Steven Crow as directors. Mr Baker joins from the Depart-Mr Peter J. van Berckel, who ment of Transport where he was managing director of Cad-managed the privatisation of bury Schweppes Export, has BAA. He will be working on the been appointed director-general of THE SUGAR BUREAU. strategic development of County NatWest's international equities securities business. Mr Mr John D. Macomber has been appointed head been appointed a non-executive director of PILKINGTON. He is chairman of J.D. Macomber, a senior vice president and director. County NatWest Securities, incorporating Wood Mackenzie & Co., has appointed Mr Geoff companies in Europe and the Green and Mr Colin Mills as US, and was chairman and joint heads of market making chief executive officer of the chief executive officer of the from March 31. They will be Celanese Corporation until its taking over from Mr Mark acquisition by Hoechst last Potashnick, who leaves on that



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# Dangers of ravening for rapid results

BY MICHAEL DIXON

ARE YOU hungry for results? Unless you are, or can convincingly pretend to be at least, you could hardly expect much of a welcome on today's executive jobs market. More and more company chiefs seem to view a raging appetite for raild success as a reconstition

and more company criters seem to view a raging appetite for rapid success as a precondition of high-rank employment, and sharpen their staff's hunger by rewarding visible achievement and punishing the opposite with gusto.

In these days of growing competition and uncertainty, there can of course be no argument for feather-bedding any of the folk in a business's key positions. But given that numerous company chiefs apparently also want their senior staff to respond to the competitive and uncertain conditions by being innovative, if not downright creative, there is evidence that the policy of promoting results-hunger might well be counter-productive.

I have just come across the evidence in a comprehensive guide to what is currently thought about motivations.

guide to what is currently known about motivation, known about motivation, written by Douglas Mook, the Professor of Psychology at the University of Virginia in the United States. Among many other things, the book cites a particular kind of experiment with the effects of hunger on arrivals. animals, particularly rats, which regularly produces the which regularly produces the same result no matter how often the experiment is repeated.

All that is needed to try it is two rats or whatever, a pair of

ure person

Will Valle

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mazes through which the creatures have been trained to run a complicated path to get to some food placed at the other end, and a less than overend, and a less than overend whelming love of all animals. For one of the two has to be starved until it is ravenous. The second must be in a condition where, although interested in taking action to obtain another meal, it is far from desperate to do so.

You stick each rat at the end of the maze not necessarily the best available, so that an innovative approach to the job could pay dividends, a policy of applying at most moderate motivational pressure would probably be more productive.

Douglas Mook went on to say that mobody has yet defined the precise psychological reason for the distinctive patterns of behaviour in the different.

The voracious and more dividends, a policy of could pay dividends, a policy of applying at most moderate motivational pressure would probably be more productive.

Douglas Mook went on to say that mobody has yet defined the precise psychological reason for the distinctive patterns of behaviour in the different sets of circumstances.

One possible explanation the treats of behaviour in the different sets of circumstances.

Hence all that may be needed to enable meanagers to maximise of circumstances.

The condition the more relaxed and less productive.

The voracious and more dividence to the pr

customarily starts on its well known complicated path. Some tempting food is placed at the other. But you do not just leave it at that Besides leaving open the devious routes which the animals have been trained to animals have been trained to run, you in each case open up a direct path from the starting point to the place where the meal is waiting.

More often than not the voracious rat ignores the new short-cut and races round its familiar route to the banquet. Meanwhile the one which is at best somewhat peckish takes a best somewhat pecked sales a look round, then toddles down the unfamiliar direct path and gets eating. The frequency with which the two react in those distinctive ways is still greater if the ravenous one has had more practice than the other at running the circuitous journey.

productive one.

"Is there a principle here —
moderately motivated creatures
maximise, desperate creatures
satisfice?," the professor asks.
Unfortunately, as far as I
could see, his book did not provide an answer. What's more it did not strike me as safe to assume that what animals such as rats do in any particular case, will also be done in similar conditions by

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of circumstances.

One possible explanation might lie in a theory the Jobs column had encountered before which suggests that motivation is like tension. For example, it is generally recognised that just as a certain degree of tension must exist in people if they are to move about at all, they are to move about at all, they do not throw themselves into a task until they have built heard an eminent scientist say

is like tension. For example, it is generally recognised that just as a certain degree of tension must exist in people if they are to move about at all, they do not throw themselves into a task until they have built up a sufficient amount of motivation.

What is less recognised is that, by the same token, it must be possible to have too much of the stuff. In the same way as an over-supply of tension can result in stress and a loss of full alertness and efficiency, so can a surplus of motivation.

The motions of the same way as an over-supply of tension can result in stress and a loss of full alertness and efficiency, so can a surplus of motivation.

particular case; will also be done in similar conditions by executives let alone ordinary mortal beings. So I telephoned the author and asked if his suggested principle had been found to apply to people.

His answer was yes. The same sorts of behaviour had been observed even in specific studies of more and less results-hungry managers.

The professor replied that, while most psychologists would agree that it is possible for seem fairly clear. A policy of making workers voracious for rapid success may work well when the goal which it will best benefit the company to achieve is clear, and the best way of attaining it is already known objectives and means of pursing and the sum of the sum of the professor replied that, while most psychologists would agree that it is possible for people's effectiveness to decline under an overload of incentive, the known evidence would not support the belief that support the belief that thing as physical tension. So the psychologists' search for a straining it is already known objectives and means of pursing and the head-shrinking are not in the head-shrinking.

information should contact Barry Rodin at 15 Britten Street, London SW3 3TY; tel. 01-351 7151, telex 299751 The sole measure of costs to be used here is the total daily rate, which represents the overall expenses of a 24-hour stay by a business visitor using a four-star hotel, eating in good class restaurants and

in good class restaurants and travelling about by taxi. The costs are shown in sterling at the exchange rates prevailing

on January 11. Tokyo £186 Oslo £165 Copenhagen \$162 Stockholm \$156

Paris £154 Geneva £150 Amsterdam £142 London £141 Helsinki £137

- Frankfurt £133 - Frankfurt £133 - Brussels £130 - Abidjan £130 - New York £130 - Khartoum £128 - Baghdad £121 - Vienna £119 Douala \$118 Taipei \$117

- Luxembourg (city) £113 - Dublin £112

21.- Dublin \$112
22.- Kuwait (city) \$108
23.- Port Moresby \$108
24.- Beijing \$101
For the benefit of any reader whose geography - like mine - is shaky, Abidjan is in the Cote d'Ivoire, Douala in Cameroun, and Tripie in T and Taipei in Taiwan.

Motivation, the organisation of action. W.W. Norton, New York and London.

# **Financial Futures Options**

financial institutions and currently seek to recruit high calibre individuals in the following areas:

**\*** Futures Account Executive

\* Equity & Currency **Options** 

\* Financial Futures Sales

If you have 2-3 years' relevant experience and wish to discuss these opportunities in depth, please contact Stephen Cussens on 01-404 5751 or write to him in confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH

Michael Page City international Recruitment Consultants London Paris Amsterdam Brussels Sydne

#### EUROPEAN M&A £Excellent

We are currently retained by several of the worlds' leading investment banks pre-eminent in the field of corporate finance. As part of their continued strategy for growth in the highly challenging field of cross-border M&A. They seek applications from candidates with the following:

- ★ Exceptional academic track records
- \* Strong negotiating and interpersonal
- ★ Linguistic ability preferably German, French or Dutch speakers

Individuals are likely to hold a professional qualification and have had experience of corporate finance transactions or strategy assignments within an Investment Bank, Accountancy Practice or Management Consultancy. These are exceptionally demanding roles and as such remuneration will be highly compensive:

For a confidential discussion please contact Ion Michel, Alexander Smith or Ioe Reilly on 01-583 0073.

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#### **INVESTMENT STRATEGY AND ANALYSIS**

■ Major international multi-industry corporation seeks Manager-Investment for its small investment team directing \$200 million financial investments; job location: Monaco.

■ This highly visible job requires a value-smart investment brain to identify and evaluate investment opportunities including US and European equities as well as fixed income and currency positions, participate in formulating overall investment strategy and asset allocation, and manage positions and execution of trades.

■ Candidate should have at least 5 years investment analysis experience with a profitable track record in various financial instruments; ability to carry out and present financial, valuation and return/risk sensitivity analyses using PC tools; MBA or equivalent; language facility to dissect US and European financial statements; probable age in early thirties.

Career opportunities are to help build up self-standing investment firm or eventually to move into corporate finance, corporate development or senior financial function with an operating company.

■ We are looking for an outstanding individual and are prepared to pay accordingly. Please send resume and compensation expectations to:

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**Treasury Services** 

City of London

c£40,000, bonus+car

The combination of product innovation and quality of service together with a creative marketing strategy endorses our client's reputation as a leading North American customer - focussed business bank.

This commitment to the creation of demonstrable value for the bank's US and European customers underlies the work of its highly successful international taxation consulting group, which seeks an experienced European professional

\* Market the group's consulting services

\* initiate and execute non-routine consulting projects \* Directly contribute fee income within a profit centre environment

\* Provide technical support to senior consultants

If you are a qualified tax professional with a detailed knowledge of corporate taxation in a major European jurisdiction (other than the UK), then the commercial, marketing and technical challenges of this position must appeal. Agenerous relocation package is available.

For further information please contact Roger Tipple M.A. who has been retained to advise on this senior appointment. The strictest confidentiality is guaranteed.

the Tleet partnership

Financial Recruitment Consultants, 37/41 Bedford Row, London WCIR 4JH, 01-831 1101 (24 hours).

## **Assistant Manager – Credit Financing for Business**

#### London

We are currently working on behalf of the UK banking subsidiary of a major US multi-national group. The company's core business is medium term equipment financing and, more recently, commercial property related

An Assistant Manager - Credit is now sought who will report to the Director of Credit and be responsible for visiting clients and preparing detailed credit reports for presentation to the

The ideal candidate, probably aged 28-35 and of graduate calibre, will have successfully completed a formal credit training programme within a financial institution and must clearly demonstrate superior financial analysis and administrative skills. At least three years' practical experience c£22,000 + Car + Benefits

with a bias towards larger, longer term equipment finance proposals is required and a knowledge of associated legal issues, documentation, etc., would be advantageous, as would exposure to computer based credit analysis systems.

This represents an exciting opportunity for an ambitious individual to join a blue chip organisation with major growth plans offering excellent prospects for career development.

Simpson Crowden Consultants Limited, eclalists in Executive Search and Selection, 97-99 Park Street, London W1Y 3HA. Tel: 01-629 5909.

Please telephone or write in complete confidence to:

Simpson Crowden **CONSULTANTS** 

## **Forward Dealers** Are you Forward-Thinking?

The unprecedented demand for forward foreign exchange dealers at all levels of skill and experience is leading to some exceptional career opportunities.

Call John Green or Nick Bennett now, on 01-404 5751 for a fully confidential discussion or to arrange a meeting to consider your career options. Alternatively, write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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CAREER CHALLENGE!

#### **SYNDICATIONS MANAGER** c\$38,000 + Car + Benefits THE CHALLENGE Leading a young, talented team you will be re-

## Manager, Trade Finance c£50,000 package + Car

#### **Central London**

Our client, the rapidly expanding London Branch of a substantial International banking group, is looking to further develop its Trade Finance business by recruiting an experienced Manager for this Department.

This exciting opportunity has arisen as a direct result of the continued growth of the bank's international trade finance activities, and will appeal to a commercially-minded individual, who seeks the freedom to develop his own initiatives within a progressive highly-motivated management team.

The successful candidate will probably be aged 28-38 with a proven background of experience in both the short-term trade finance and the medium-term export finance markets. You will possess the ability to develop new products and build a primary UK and European customer base.

MANAGEMENT SELECTION

A very attractive remuneration package will include a basic salary of £40,000 plus substantial banking benefits. If you feel this provides the challenge you seek, please write, enclosing a comprehensive curriculum vitae and day-time telephone number, to Philip Rice MA, ACMA, quoting ref: 209 at Whitehead Rice Ltd, 295 Regent St, London WIR 8JH, Tel: 01-637 8736.

Whitehead Rice

government agencies and corporate suprana-tionals; there will be a particular emphasis on European business.

THE ORGANISATION An International Bank well placed in the current climate and committed to London, my client wishes to develop further this already profitable area of its operations.

sponsible for the development of the bank's

activities in the origination of and participa-

tion in syndicated financing for governments,

Experienced in syndicated bank credits, you are likely to have developed your career within a major US or European House. You now seek the opportunity to develop your management skills within a pro-active environment.

If you are interested in the appointment, please contact Susan Milford - Manager, Management Personnel,

10 Finsbury Square, London EC2A 1AD. Tel: 01-256 5041 (out of hours: 0483-37480) quoting reference CG0831.





#### DORSET DEPUTY DIRECTOR (FINANCE)

(Post No 4403)

The Dorset Institute is one of the leading higher educational institutions situated in the Bournemouth/Poole conumbation. The Deputy Director (Finance) will be responsible for all the Institute's financial matters and will be one of three Deputy Directors immediately responsible to the Director.

> £29,451 -£31,218 Starting Date: By agreement

> Closing Date: 7th March 1988

Further details and application form may be obtained from The Staffing Officer, Dorset Institute of Higher Education, Holland House, Oxford Road, Bournermouth BH8 8EZ. Telephone 0202 290740 (out of hours

Applicants wishing to discuss any matters relating to this newly created post on an informal basis are advised to contact the Director (0202 524111 Extr. 5070).



# Global Forex Manager

Middle East Bank

Substantial tax free salary + expat. benefits

Premier financial institution, active in major money centres seeks energetic, experienced and senior trader to manage its global FX activities.

The oldest, largest and most internationally diversified bank in its country of origin.

 Recognised for its strength of management and growth of profits. THE POSITION

Reporting to Group Treasurer and situated at Head Office. Responsible for team of five traders including a chief dealer.

Managing trading activities in Sterling, Yen, DM and other currencies and implementing strategic decisions of the forex committee, monitoring results and performing managerial duties. Co-ordinating forex activities with five overseas branches, with the objective of maximising their profitability.

**OUALIFICATIONS** 

 A senior dealer with existing management responsibilities and a strong record of profitable position taking, with creative flair, intelligence and sensitivity to market dynamics.

♦ Good communicator and leader, comfortable in an international environment.



closing cv, quoting Reference G9905 to: 37 Dover Street, London W1X 3RB

## Sales Executive

#### **Financial Information Service**

Base £25,000 + unlimited commission London

Excellent opportunity in a new financial service company for an ambitious and energetic sales professional with a City background and a successful track record.

New business within fast-growing, entrepreneurial group.

Sophisticated product developed in response to user demand. Strong institutional backing and talented management team. THE POSITION

♦ Introduce new product to financial sector and build subscriber network. Demonstrate live, on-line service, negotiate terms and close deals.
 Client management with financial reward for communed and

**QUALIFICATIONS** Selling experience in a financial environment, probably an

international bank or broker. Age late 20s to early 30s with some product knowledge. Excellent communication skills at all levels. Energy, enthusiasm and presence.

COMPENSATION

High base salary and car. Exceptional earning potential.



#### Not everyone took fright last autumn.

With the finance industry going through an uncertain period, it's comforting to know that one group is managing not only to keep its head above water, but also to keep on course for sustained business growth based soundly on managing and developing

Part of a major worldwide organisation, our client is one of the UK's most influential financial services companies with a growth record to impress even the most cynical. To help consolidate their growth, they are looking to add two vital members to their Investment Accounting team:

#### **Investment Accountant** - Training & Development

Competitive salary + car

A demanding dual role, you'll organise and manage the training of our client's investment accounts team. You will also be involved in dealing with a wide portfolio of tasks such as assessing corporation tax liabilities, other taxation issues and quality controls.

#### Investment Accountant Projects

Competitive salary + car

Our client will look to you to stretch your skills in a highly influential project role. You'll contribute to business decisions through analysing and making recommendations on issues including for example trustee services, accounting systems and taxation implications.

For both positions, you must be well educated and you'll need Investment Accounting experience together with a good working knowledge of corporate and income tax regulations. stock exchange and broker settlement procedure, both UK and overseas, and relevant financial legislation. Our client expects you to be familiar with computerised systems and to display excellent communication and organisational skills. Both positions hold excellent management opportunities, not only in the Investment Accounting area but throughout the group as a whole.

Our client offers an outstanding benefits package including choice of car, free life assurance, non-contributory pension scheme, BUPA and a very generous relocation package where applicable.

And, of course, the comfort of knowing your job will be secure with one of the winners.

For a confidential discussion, please telephone our Consultant, Andrew Goobey on 01-631 4411 or write to him at MDK, 178-202 Great Portland Street, London WIN 6JJ. Quoting

Our client is an equal opportunity group.

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**EXECUTIVE SEARCH & SELECTION** 



The Central Electricity Generating Board is responsible for the generation and bulk transmission of electricity throughout England and Wales. As such, the Board operates one of the largest integrated electricity sapply systems in the world.

As a result of internal promotions and a new post, we are seeking to make three appointments within our Economic Stedies Section, which is responsible for the preparation of forecasts of the world and U.K. economies, U.K. energy demand and electricity der which form ranjor imputs to the Board's investment plans. The Section is also responsible for briefing on a wide runge of economic and energy policy issues and undertakes detailed studies of the political and commercial environment in which

You will lead a small team responsible for producing commonly foregreens and for the provision of advice to Senior Management on U.K.

Senior Economist --- Ref. 58/88/KHit/FT

Economist -- Rel. 59/88/KIM/FT \$18341 to \$22202 (under review)

\$22202 to \$25434 (under review)

You will assist the header of the Business Eurocraics Group which is responsible for assessing the impact of the Sound's activities on the U.K. economy and the concernial and economic environment in which it operates. Duties will include evaluating the socio-economic implications of large scale investments and developments in electrical utilities abroad of both an organisational and policy nature.

Assistant Economist — Ref. 60/82/1381/FT £14584 to £18826 (under review)

You will work in the World Economy Group, assisting in the preparation of short, medium and long term forecasts for the world economy. Daties will also include econitoring daily nexts in exchange rates and developments in the mics of the major western industrial countries.

You should have a degree in Economics or a related subject, together with experience of working in one or more of the above areas. A working knowledge of econometrics and familiarity with computer techniques would be advantageous.

Please write with full career details including age and current splary to the Group Personnel Officer, CEGS, Suchery House, 15 Newgate Street, Losdon ECTA 7AU by 2 March 1988. Please quote the APPROPRIATE REFERENCE MUMBER of the post for which you are applying. The CEGB is an equal opportunity employer.

AUSTRIAN SPECIALIST

Global securities firm seeks dynamic young professionals with experience in the following areas:

Our Foreign Exchange, Fixed Income and Interest Rate Sweps Sales teams are seeking candidates who have proven first-hand banking experience and knowledge of these markets and products as they relate to the US. Austria and other European countries.

We require a Generalist with expertise in cross-border Europe/US equity transactions and knowledge of applicable US Securities. Law, who will have primary georgraphic responsibility for Austrian and Swiss industry specialisations.

Operating out of our London-based international headquarters,

these individuals will be responsible for new business development and coverage of existing customers with the purpose of marketing

Candidates should combine a strong analytical capacity with an intimate knowledge of European and US banking systems. We also require a Business or Economics degree, and fleuncy in German, French and English is essential.

As a highly visible leader in the rapidly growing international markets, we can provide a fast-paced, stimulating environment with scope for advancement. An attractive package will be negotiated to reflect fully both your experience and potential.

Write Box A0822, Financial Times, 10 Cannon Street,

London EC4P 4BY.

the Firm's diverse and broad base of products.

CORPORATE FINANCE

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CENTRAL ELECTRICITY GENERATING BOARD HEADQUARTERS

## Manager – **Corporate Research**

A key development role for an Economics Graduate To £35,000 + car + benefitsWest Yorkshire

Our client — a progressive engineering group with overseas interests — Is engaged in the production of a range of specialist products used across a wide spectrum of UK industry. The business is diverse and dynamic and is poised for further growth both organically and by acquisition. This is a wide ranging and influential role which offers considerable scope for personal development

As Manager of the Corporate Research department, you will be responsible for the provision of in-depth financial and market research services which in turn will form the basis of the Group's long term corporate strategy and business planning functions Probably in your 30's – you will be a graduate in economics supported, perhaps by an MBA. Your experience will have included several years at a senior level within the corporate research function of a major UK plc. in addition, you may have undertaken an investment research role across the full

spectrum of specific industries within a relevant financial institution Salary is for discussion, as indicated, the comprehensive benefits package includes relocation

Please write - in confidence - with full details A L Brown, ref. B 62154. MSL (aternational (UK) Ltd, Oak House, Park Lane, Leeds LS3 (EL. Offices in Europe, the Americas Australiasa and Asia Pacific



Pension Scheme Actuary c £28,000 Package + Car

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061-905 1770.

Our client is a well established and rapidly expanding subsidiary of one of the largest financial services groups in the UK. Consistent success, changes in pensions

transfer values, retirements etc.; and for comprehensive analysis of legislation.

interested in hearing from young associates with a relevant background.

Write in confidence to the Company's Adviser, Richard Crosby, with a comprehensive CV, quoting reference B4026 to PE-Inbucon, Executive Search

and Selection Division, 212 Washway Road, Sale, Cheshire M33 1RN

or telephone for an application form on

legislation, and a market focussed restructuring now means that our client seeks a young qualified Actuary, (El.A.). Responsibility will be for the provision of actuarial advice to a portfolio of pension scheme clients; for monitoring actuarial bases for

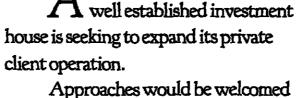
Aged 25-35, you will have a minimum of three years experience in group pensions

work, ideally with experience of computerised systems. Our client would also be

The attractive package offers the usual financial sector benefits, including generous relocation expenses to the North West. Our client is an equal opportunities

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from individual stockbrokers with their own existing client base with a view to continuing their activities within this organisation.

> FT Box No A0823 Financial Times 10 Cannon Street London EC4P 4BY



## DAIWA EUROPE BANK plc

Due to continuing expansion we require a Credit Analyst to join our existing team, the work involves appraisal of exposure to corporates and banks and includes spreading of financial accounts, full written analysis of financial information, and making appropriate recommendations.

The successful applicant will have at least 2 years relevant experience in a banking institution.

A highly competitive salary will be paid plus some excellent fringe benefits including a generous subsidised mortgage scheme.

Please apply with an up-to-date c.v. to Ms Janis Webb, Daiwa Europe Bank plc, City Tower, 40 Basinghall Street, London EC2V 5DE

THE UNIVERSITY OF MANCHESTER DIRECTOR OF THE MANCHESTER BUSINESS

The University proposes to appoint a Director of the Manchester. Business School to take office in September 1988 or a later date to be

The School has over sixty teaching and research staff, it offers PhD. MBA and Diploma programmes and also wide range of post experience courses for senior and middle management. In addition, the School is heavily engaged in research.

The Director is responsible to the School's Council for the success of the School, both academically and financially, and is its representative both within the University and at top levels in the business community. He or she will be appointed initially for five years with the prospect of re-appointment by mutal consent.

The successful candidate could be either a senior academic from an established business school or in another faculty that has close contacts with business, or could be at a senior level in business or in public flave a record of achievement and the ability to lead a large academic research and administrator, the Director must research and administrator, the Director must have a record of administrative learn.

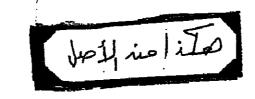
The level of remuneration envisaged is competitive with senior posts outside the University system.

Applications, accompanied by a curriculum vitae, should be submitted before March 7th to the Vice-Chancellor, the University, Manchester M13 SPI, from whom further particulars of the appointment may also be obtained.

The University is an equal opportunities employer ...

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**PHILLIPS&DREW** 



## Equity Market Makers

#### City

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CL-Alexanders Laing & Cruickshank Holdings Ltd, the international securities house offers a comprehensive range of financial products to a worldwide client

Within the Equities Division a Specialist market making group offer competitive price quotations in a wide range of Gamma/Beta shares. Particular emphasis is placed on corporate stocks and those industries analysed by our research

Our small, successful team plan to expand in those sectors into Beta/Alpha stocks. We therefore wish to recruit additional market makers with at least three vears' experience.

For these positions we offer an attractive package that includes mortgage subsidy, a car, non-contributory pension and private medical care.

Please write with full c.v. to: Peter Bodington, Senior Market Maker at CL-Alexanders Laing & Cruickshank Holdings Ltd., Piercy House, 7 Copthall Avenue, London EC2R 7BE or call Liz Knott on 01-236 0667.

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#### REQUIRED A SENIOR DEALER

Arab Bank Limited, Offshore Banking Unit, Bahrain has a vacancy for a Senior Foreign Exchange and Money Market Dealer aged 25-35 years with a minimum of five years experience with a reputable international bank or financial

The successful candidate will be based in Bahrain for a minimum of 3 years with the possibility of rotation in the Bank's international network.

Salary, bonus and other benefits are commensurate with qualifications and track

> Apply in strict confidence to: Arab Bank Limited, Regional Management, PO Box 813 Manama. Štate of Bahrain **Attention: Personnel Manager**

Qualified ACA/ACCA with International Banking experience is sought by Investment Banking Group. Reporting to the General Manager, responsibilities will include assessing and developing new accounting and reporting

UK Marketing Officer
US Bank with a major presence in the UK requires an addition to their marketing team. You will have had several years experience with specific contacts in the UK sectors and possess the ability to maintain and develop client relationships. Experience in Property Finance would be an advantage.

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Graduate Bank: Responsibilities will include management of company portfolias and monitoring account relationships. Excellent opportunity for

aspiring Marketing Officer. A graduate minimum upper second class, is sought by major British banking group. In your mid 20's with previous analysis experience, possibly a Management Traines from a clearing bank, you will be keen to enhance your analytical skills through examination of credit risk in the areas of Capital Markets. Syndications and Export Finance.

#### 

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Unique opportunity for young person experienced in portfolio investment to take communant of a general portfolio including Properties. Equities, Bonds and Age 25-30

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Call Ros Hurley on 61 404 4529 or send brist career details to ber at Allied Dunber Assurance plc.

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#### A FRESH START FOR SUCCESSFUL **BUSINESS PEOPLE**

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David Hall, Hill Samuel Investment Services Ltd. I Maddox Street, London WIR 9WA Telephone: 01-434 4583

#### FOREX

**APPOINTMENTS** for Forex, Capital Markets and Treasury appointments consult a

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> PLEASE PHONE MIKE POPE or **DAVID WILLIAMS** 01-247 8314 BANK CHAMBERS. 2ND FLOOR, 214 BISHOPSGATE, LONDON EC2

#### TRAINEE DEALER FX

Cv to Personnel, Sta 62/63 Threadneedic St. EC2 By 22 Feb sharp - NO AGENTS

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**NEW COMPANY IN FINANCIAL SERVICES** (INVOICE DISCOUNTING)

Invoice discounting is a rapidly growing service providing working capital for medium sized companies.

We are part of a major financial institution and require a Product Manager in the South-East to lead the sales effort and business development as part of our planned expansion in this field.

Currently successful in a sales environment - preferably with a financial qualification - you will now be seeking the greater rewards that your ability and initiative can bring to a new company's success, including the potential for a full board appointment.

An attractive salary is offered together with the usual banking benefits.
Apply with CV in complete confidence to Laurence Carr,

General Manager, B I Commercial Finance Limited, Alhambra House, 9 St Michael's Road, Croydon CRO 2RA or call FREEPHONE B I Commercial Finance. A MEMBER OF THE BANK OF IRELAND GROUP

## **BI Commercial Finance**

#### **NEW BUSINESS DEVELOPMENT**

The CHURCHILL FINANCIAL SERVICES GROUP wishes to appoint a new business executive to assist in the development of its established inventory finance activities within the United Kingdom.

Applicants should ideally have a banking background in credit/ marketing with perticular emphasis on trade finance and be aged

Remuneration package and career prospects will appeal to the most ambitious.

Interest applicants should apply in confidence to:
The Managing Director, Churchill Financial Services Ltd,
Churchill House, 136 Buckinghem Palace Road, London SW1W 9SA

#### CONTROLLER

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£30,000 - £35,000 package

London based (international travel)

IDG Communications is the world's largest publisher of computer-related information. We publish over 90 magazines and newspapers in 34 different countries. The Group employs over 3000 people worldwide and anticipates net sales in excess of \$400 million this year. We are looking for a Chartered Accountant aged 27+ with at least 5 years experience at a senior level in a commercial environment (preferably in publishing, although this is not essential). The Controller will report to the Vice-president (Northern Europe) and will have responsibility for the financial management of the group in the UK, the Netherlands, Sweden, Norway and Denmark. Controlling our international operations at first hand is an important aspect of this post and the Controller will need to visit each international programment of the post and the Controller will need to visit each international controller w company regularly. Experience of in-house computerised accounting systems is essential. The compensation package will include a basic salary, car and annual bonus. Please write to me, Keith Amott, with full details of career history and current remuneration, or call me on (01) 831 9252 if you prefer.



## Jonathan Wren A

## MANAGING DIRECTOR **SALES AID LEASING**

#### **£Highly Negotiable**

Our client is a leading financial services group who, with the backing of a major institutional funder, has gained a justified reputation for the successful implementation of innovative financing techniques within the middle/big ticket leasing markets.

To compliment their existing activities, applications are sought from experienced individuals capable of establishing a new operation which will specialise in the sales aid and small ticket leasing market. Reporting at Board level, the appointee will be responsible for the formulation and implementation of a strategic plan and the recruitment of a highly specialist team in order to maximise market penetration.

For a commercially astute individual who can demonstrate proven expertise in the development of a successful small unit financing operation, from start-up to profitable performance, the backing, funding and support available makes this an exceptional opportunity.

Please contact Peter Haynes or Jill Backhouse.

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## GILT SALES

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To qualify for this challenging career move you will already be aware of the benefits of working for a highly successful, innovative subsidiary of a major international banking group.

The acknowledged success of the gilt agency broking business of Capel-Cure Myers reflects the excellent service offered to its clients. Continued expansion has led to the need for further experienced individuals with proven track records, to join a well integrated team.

If you are a suitable candidate, aged 25 or over, you will know which qualities we require from you, and in turn we know what you expect from us - a demanding yet rewarding working environment in a successful department.

If you are interested and feel that you can fulfill the necessary requirements then please write enclosing a full Curriculum Vitae to David Skinner, Capel-Cure Myers, 65 Holborn Viaduct, London EC1A 2EU or telephone 01-653 2271 between 8.00 pm and 10.00 pm.

#### CAPEL-CURE MYERS

Member ANZ Group

#### **Corporate Finance** Executive

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Phillips & Drew Limited is a full-range investment services company, employing over 1400 staff in the UK and abroad. Our Corporate Finance Division is part of an international network within the Union Bank of Switzerland, one of the world's most powerful banking groups. One of our specialist services is advising public sector authorities, and we wish to appoint a Corporate Finance Executive to work in this fast-expanding area. You will be responsible for arranging funding and

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A bright and highly capable graduate in economics or similar finance-related subject, you will provide essential research back-up on all the European markets to the Investment Managers. This is a unique opportunity to acquire first-hand knowledge of the developed and developing European markets.

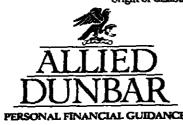
We also expect that the right candidate will soon progress from the research role into full Investment Manager responsibility, becoming a key member of the investment team. The job will also involve some

A minimum of two year's experience in investment analysis is essential here, along with excellent communication skills and a high level of initiative. An interest in personal computer applications would also be an asset. Previous experience of the European markets is not a pre-requisite but we're looking for someone who learns fast, has a disciplined approach to analysis and who can become an effective member of the team.

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If you have the investment analysis skills we're looking for please contact Janice Hill for an application form by telephoning or writing to her at Allied Dunbar, 9-15 Sackville Street, Piccadilly, London WIX IDE.

We are an Equal Opportunities Group. Applications are welcome regardless of sex, marital status, ethnic



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City

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company offering impressive opportunities for growth. The ability to formulate and implement investment strategy is an important pre-requisite for this challenging role. Interested candidates should contact Charles Ritchie or Nick Root on 01-404 5751 or write to them

at Michael Page City, 39-41 Parker Street, London WC2B 5LH. All replies will be treated in

onathan Wren

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On behalf of our client, Banda Nazionale del Lavoro, we are

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Secretary to the General Manager, Family Assurance Society, 19 New Road Brighton, East Sussex BN1 IWF



مكذا من الاعل

#### Television/Christopher Dunkley

# Give a chap a look in

Saddest programme of the week tions and special pleading, is was My Mama Done Told Me in the orthodoxy of the modern which the beautifully protic mass media is it not time that speaking directly to camera, and always sounding spontaneous and fresh, as though thinking their way through the pain of their lives for the first time: a considerable achievement in direction and editing. The whole programme served to hear out the belief that whereas male sexual arousal depends most often upon the senses for men covering only men's (sight, touch, smell, scent) female prime minister, and centuries under the social system of a middle class matriarchy whose younger members have but with such brilliant success upon the Big Lie of feminism as a way of extending their hegemony still further). It is surely time Channel 4 did something about it. programme, may play much the same role for some women that Penthouse plays for some med. The Guardian's Nancy Banks-Smith declared of the

CHAIR : MOSTAN

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programme, may play much the same role for some women that Penthouse plays for some med.

The Guardian's Nancy Banks-Smith declared of the women "it was remarkable how consistent their experience was," but it was surely not: allowed is still problematical, they had been carefully selected to achieve precisely that consistency. The question is: why! Was everybody consistency with the programme so any more than they have been nected with the programme so-completely taken in by the Great Feminist Lie that they actually believe women never walk out on men? Do they imagine that the mule halves of all these partnerships would tell the same stories as the female halves? Do men never suffer in heterosexual relationships? Are they never the injured parties? Do the people running Channel 4 imagine that the other three channels are so jammed with programmes about the perfidy of women that they have to provide the counterbalance? If not, why do they commission this sort of one-sided diatribe? Above all, since feminism.

dancing of Lynn Seymour and Channel 4 began to do its statuthe poignant singing of women tory duty and supply the altersuch as Edith Piaf and Nina native? We have spent 35 years Simone was used to punctuate under a female sovereign, nine under stories of women years under the thumb of a being jilled. They told of their female prime minister, and centuries worker the statut under the statut of the statut o

(sight, fouch, smell, scent) interests? A hidierous surges-femule sexual arousal is more tion, of course, but Channel 4 in often emotional. Mills and from supposed to thange the climate. supposed to change the climate, not reinforce it.

> any more than they have been from any other parliament; and second, all those decades of passionate arguments about "fundamental changes in the character of the House" will be forgotten within weeks of the

was reasonably well informed and moderately intelligent. For anybody interested in current allaits - who read this newspaper, and the broadsheet Sundays, and perhaps New Society or The Economist or Spectator - Newsnight served the invaluable function of pulling together the most important aspects of the day's news late every evening. The three or four most significant items would be treated at some length, and there was a good leavening of the arts and humanities. Now you switch to Neusnight

with foreboding, expecting to be treated like a slow Poly stu-dent who has probably never heard of the Warsaw Pact or abstract expressionism. The abstract expressionism. The change is yet another step down that dispiriting road marked "Populism:" dispiriting not because all programmes should be aimed at the well educated but because some of them should. Newsnight used to be but now, increasingly often, it sounds like a WEA lecture, with one subject spun out to inordinate length. Most disappearance of that assumption, long exemplified by this newspaper, that just as a properly rounded notice on the Eng. Lit. Crit. cir.

The Muddy Fox is to fied and celebrated successive milestones right through the mountain bikes) to Leonie Mellinger as the gorgeous Angelica.

Wednesday Play, the influence of Sydney Newman and Hugh the South Bank Show unit suggested that today's productors of that assumption, long exemplified by this newspaper, that just as a properly rounded it is only fair to record that this collected columns in week's South Bank Show was devoled to a lecture about television, and is as readable today as it was 18 years ago.

McCabe's comments on Milestones right through the mountain bics) to Leonie Mellinger as the gorgeous Angelica.

Wednesday Play, the influence of Sydney Newman and Hugh Greene, Cathy Conke Home - Worsley's shrewd eye spotted in the last the productors of the soundary species of the today's pr



Barry Lynch as Persse and Leonie Mellinger as Angelica in "Small World"

who cannot bear the fact that,

who cannot bear the fact that, left to choose for themselves, millions of people every day deliberately select The Sun in preference to The Morning Star and even The Guardian.

It is amazing what you can learn from the sits, vac. col-umns. One of last week's advertisements revealed: "On The Record, BBC Television's new politics programme, is to be launched in the spring. . We are looking for people who possess a deep interest in the politics of Britain and who have the capacity to see new and of the BBC's political unit a large and important part of the BBC's news and current affairs, service, allowing potential opportunities elsewhere in the BBC's political journalism.

#### Handful of Stars/Bush

#### **Martin Hoyle**

The theatre above the Bush pub ous characters; we take their on Shepherds Bush Green took narrative on trust, as we would on the feel of a family reunion on Monday night. The Irish writer Billy Roche, with the novel Tumbling Down to his credit, now has his first play on view at this traditionally sharp-eyed showcase for new talent, and the local Hibernian population were delightedly present in force.

The writer's strengths lie in

the absolutely real dialogue that spins out the varied rhythms of the trivia of small town Irish life, and in the abilty to create well-rounded charstrokes in thumb-nail sketches. (It's always a good sign when the spectator is unsure whether these are actual actors or sim-ply locals doing their thing, lucked from street, pub or pro-

bation centre.)
As yet his weakness lies in the absence of a strong plot-line. The anecdote of tearaway Jimmy with his police record getting the boot from his bird and finally going beserk with a gun (though trayedy is avoided: gun (though tragedy is avoided: he awaits the police, glumly tearful, in the pool-hall where he has wasted his days and nights as the play ends) is assumed rather than illus-trated. The sporadic action por-trays his friendship with young Tony (a touchingly fresh per-formance from Aidan Murphy), his contempt for the smug Con-way, all pharisaic respectabil-ity, and his attraction to the factory girl Linda, played with a mixture of fragility and firm-ness by Dervia Kirwan. The climactic violence takes place off-stage and is reported by vari-

in a novel or short story - and this might indeed make a good

this might indeed make a good short story.

The set by Gordon Stewart and Andrew Wood combines a pool-table and juke-box with a framed picture of Christ with the Sucred Heart on almost palpably grubby walls. The boys peer wistfully through the stained glass panel of the upstage door marked for memupstage door marked for mem-bers only; beyond lie comfort-able chairs and a full-size snooker table, signs of a sym-bolic manhood. Best mate Tony has had a one-night fling and now must "pay for his plea-sure" with marriage. Friendly Stapler, the boxer, loses his fight and deserts his wife for an attractive hairdresser (referred to, confusingly for Anglo-Saxon audiences, as "the quare one"), thus scandalising the town. With northern English rather than Wexford accents they would fit into those grey towns depicted by Stan Barstow or Alan Sillitoe. The limited horizons, the feeling of wasted human potential, are the same.

Gary O'Brien's Jimmy goes from restless rebel to bewildered criminal as convincingly as the author lets him. The play's virtue, under Robin Lefevre's direction, is to make us believe in the town outside, in Jimmy's long-suffering mother, in his helping hand decently offered to the injured policeman chasing him. Perhaps Mr Roche's next play will show us the pressures at work on his characters and not merely describe them.



Peter Caffrey, David Duffy and Gary O'Brien

#### Pasquier Trio/St. John's

#### **David Murray**

Mozart's E-flat Divertimento balanced, the Divertimento for string trio, K. 563, is both a perfect work and perfectly digestible by almost anybody. Yet it's rarely heard in public: few string tries perform regu-larly (their repertoire is too meagre), and few quartets want to send their second violin off its six movements play for

more than three-quarters of an

hour.

A BBC lunchtime concert sup-plied an ideal occasion yesterday, with amiable weather too; and the admirable Pasquier Trio knew how to satisfy the requirements of public scale

A trie as musically ambitious as Mozart's is much tougher to compose than a quartet: there aren't voices enough to supply easy filling, and thus exposed

sounded transparent but never brittle - I even wondered whether their tiny, occasional imprecisions of ensemble might have been deliberate, for the work positively dwindles when severe togetherness blurs indi-vidual character, and this seato the pub while they devote somed performance betokened half a concert to K. 563 - for the utmost familiarity with the

Of character there was

plenty: a few beautiful interventions by the viola stood out, and some witty sudden fades in the cello's accompanying phrases. The divertimento manner was carefully preserved except in the dark Adagio, which had full dramatic gravity. There was time of course for all the repeats, of which any loss is painful except in a dim performance. The light grace of the playing was exceptional: not many Austro-Gurman ensembles could while respecting the domestic time of the music.

of the time as possible. With the Pasquier sound, warm and points. Saleroom/Antony Thorncroft

Phillips sale of Old Master pic-tures yesterday will have done last acknowledged.

A pair of costal scenes by Johannes Jacob Hartmann made \$14,200 while a Madonna and Child by a follower of Piero di Cosimo was on target at \$11,000. A river scene by Lau-rensz van der Vinne made

paid for a painting of a cat admiring itself in a mirror. It was by the late 19th century artist Frank Paton and set an auction record for him. A scene

early 19th century furniture maker are about to open. That ar the Sudley Art Gallery in Liverpool, Bullock's home town, starts on Sunday; the other, based at the Mount Street, Lon-

market. It totalled \$222,720, with 22 per cent unsold. Drawings did slightly better than oils but even the top prices were at the very low end of their estimates.

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1818, perhaps by wood House on St Helena, which was to be the home of the exiled Napoleon.

Items from St Helena are among the pieces on show at Blairmans, along with a table made for Abbotsford, the home of Scott, and an impressive cabinet commissioned by the Duke of Atholi. There is also a good selection of Bullock items of a more homely nature which were supplied to Great Tew and disposed of at the auction there last year Fortunately many have found new homes in muse-

It is obvious that Bullock was a great innovator. Many of his designs look forward fifty years; others regenerate Elizabethan styles. He was particularly adept at the use of mar-ble, and had his own quarry on Angelsey It is a remarkable gesture for a contemporary furniture dealer to give over his shop for a loan exhibition but, in championing Bullock the museum and trade have obviously picked a winner

#### Low Level Panic/Theatre Upstairs

#### Claire Armitstead

Three flatmates congregate in the sort of haspital green bath-room beloved of London's lowrent landlords. The implication of Clare McIntyre's short play is that the bathroom is the cen-tre of their lives - a place

girlish intensity.

And "girlish is the operative word for Low Lond Panir, a joint presentation by the Women's Playhouse Trust and where baths are wallowed in, the Royal Court: there is no disspots are squeezed, weighing cernible maturity in the trio's scales are boarded and the eter- enumeration of their problems



Caroline Quentin and Lorraine Brunning

## nal rituals of cleansing and and neither is there any sense moisturising are pursued with a of progression towards an girlish intensity. insight that can reconcile their

insight that can reconcue their inhermost pains and panies with the big bad world in which, when they are not bathing, they find themselves.

What emerges through Nancy Meckler's writy humorous production is an exercise in the sort of low-level angst that abounds in the better television streams. The writing is wirry

Brunning) is the introverted, sensitive type, while lo (Caroline Quentin) wallows in hang-ups ranging from spots to ess weight, allowing self-revulsion to inspire a fantasy world full of perfect legs oggled by incredible hulks. Both are obsessed with the object and subject-play of the sexual polities that surround them.

The third and inevitably least

interesting of the three is Celia (a sateen-voiced Alaine Ilickmott), the sort who gatecrashes parties and comes home with the bacon, without any self-

irony at all. The characters are schematically defined through a series of short scenes in which Mary or snort scenes at which mary is terrifyingly attacked by a gang of yuiths as she makes her way home dark; lo describes her ambitions to tan without strap marks, and all three kit themselves out for the disco. But it is incident ulti-mand. Only the usually excel-equally immense pair of fore-mately without advancement, which leaves us where we (Theus) seemed in difficulty in before turning ominously stillbegan: in the bathroom, fantas-

#### Jommelli's Fetonte/La Scala, Milan

#### William Weaver

Even for many musicologists approximate and often shrill. Ronconi was less happy, fore-the 18th century composer Nic-colo Johnnelli is little more than of Congo: imposing of figure tions and pointless antics (why a name, one of those musicians and secure of voice; his sweet - like Hasse and Piccinni - who but full tenor was always musioccupy space between Gluck cally employed. The other male and Mozart and are crushed by in the cast, counter-tenor James those giants. In the case of Bowman, seemed unfortunately these composers there have ill-at-case with his music and these composers there have in account for the most part, must of these "exhimations" as unpleasant, plangent sounds, the Italians call them, all too lie was not helped by a foolish abounds in the better television stream. The writing is witty but too episodically structured, and the characters remain stuck at go, despite some eloquent and touching playing.

We meet Mary and Just bath-time comparing their fantasies with those of a porn magazine their fantasies with those of a porn magazine their fantasies with those found abandoned in their flistbin. From this scene it they have found abandoned in their flistbin. From this scene it of sameness about the score, an abandoned factory, with a central space

expectability; we seemed to be tory, with a central space in the presence of a product of where the submarine realm of high quality, skilfully made. Thetis and other constructions but calculated and, after all, could be inserted. But even the routine. It was surely interesting to hear a Jommelli opera, final act, could be shifted to but, given a choice, I wonder if create space for the monumen-many in the audience would tal horses of Phaeton's fail. want to hear a second. For the first part of the Certainly, La Scala's casting opera, the staging of Luca Ronwant to hear a second.

gave the composer splendid support, for the most part. In the crucial part of Climene, Mariana Nicolesco sang with rich, round tone, clear enunciation, and breath-taking ease; that is to say, it was meant to even in passages of extreme agility she remained expressive die of a row. As I was seated to as well as in tune. In the title- one side, I could not see the role. Luciana D'Intino por- entrance of several important trayed a Hamlet-like Phaeton, characters; and in the last act, also overcoming all the techni-val obstacles Jommelli had his bag of tricks, I missed some devised in her path. In smaller important bits of spectacle, parts, Bernadette Manca di What I did manage to see the Nissa (Libia) and Sumi Jo (Forappearance of an immense, tuna) were admirably in comher single, but flendishly taxing was effective and enjoyable, scene; her coloratura was With the individual singers

factory was mobile and, in the

coni was, for him, remarkably discreet, even uncluttered; and Thetis scene was truly magical. Unfortunately, the production was centrally conceived; be seen from a seat in the mid-

transfer from London. But so hard are tickets to come by that travel companies are advertising pack-ages to London with promises of tickets to see the show there. (239 (2010)

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnifuent spectacle of Victor Ilugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source, (239-6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarna-

tions and pointless antics (why did poor Phacton, heavily costumed and wearing a mantle, have to climb first up, then down, a high ladder?).

After this elaborate confection, which will probably never be seen again once this Scala season ends, it was a relief to see, twenty-four hours later in the same house. Pier Luigi Pizzi's spare, tasteful production of Verdi's I due Foscari, designed over twenty years ago and still, after having been seen often on both sides of the Atlantic, fresh and potent. Fresh and potent, veteran Gianandrea Gavazzeni to whose figure are linke many unforgettable Scala events (the Callas-Visconti Anna Bolena, for one). The three leading singers were unfamiliar, at least to me: bari-tone Eduard Tumagian, tenor Krystian Johannsson, and soprano Maria Guleghina; but Krystian Johannsson, they all sang creditably. In the great final scene, Tumagian was suitably moving; and Guleghina's unruly, but power-ful voice source in the concerted numbers with Verdian force. After the sterile Jommelli, the vitality of the 30-year-old Verdi was life-giving.

## New Board member

Lord Armstrong has been appointed to the Board of the Royal Opera House, of which he was formerly Secretary, with effect from January 1988.

## for Covent Garden

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**FINANCIAL TIMES** EUROPE'S BUSINESS NEWSPAPER

#### Theatre

#### LONDON

South Pacific (Prince of Wales).

South Pacific (Prince of Wales), Average, traditional revival of the great Rodgers and Hammerstein musical, Gensus Craves failing to wash the baritonal Englis Beltourt out of her hair.

Shirley Valentine (Vandeville), Pauline Collins in fine and funny monodrama by Willy Russiell of liberation for a Liverpool housewife on Corfu. Shades of lisses Nara and licekett's Winnie, with jokes, (836 9887, CC 379 4444)

A Wholly Healthy Ghagow (Royal Court). Scabrously funny new play by Ian Heggie, structurally similar to David Manier's American Buffalo, but set in a back-affey (Bacaregian health club, No similtaneous transdation provided, (730 1745).

The Phantom of the Opera (for Majesty's). Spectacular emotionally nourishing new musical by Andrew Linyd Webber emphasising the remarke in Levaux's 1911 novel, liappens in a wonderful Paris Opera ambience designed by Maria Rjoruson. Dave Willetts has succeeded Michael Crawford as the Phantom, (839 2244, CC379 6131/240 7200).

Foliles (Shaftesbury). Stinning revival, directed by Maria Rjoruson, of Sondheine's 1971 musical in which pidemed duringes nearly undermine as old buriestue remison in a thomsel dispersed book by songs, improved book by

remain in a somet cheerer por new somes, improved brok by James Goldman. Cast led by Dalores Gray, Julia McKenzie, Diana Rigg, Daniel Massey Ali good (379 5539).

good (379 5599). Serious Money (Wyndham's). Transfer: from Royal Court of Caryl Charchille sick City con-cdy for changaghe-willing yap-

on the Stock Exchange, Hot and livid, but new cast deemed less good. (836-3028, CC 379-6585).

A Small Family Business (Olivier). Brilliant new Alan Ayekbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928-2252).

#### **NEW YORK**

Peaces (46th Street), August Wilson hit a home-run, this year's Pul-itzer Prize, with James Earle

itzer Prize, with James Barle Jones taking the powerful lead role of an old baseball player ratsing a family in an industrial city in the 1850s, trying to improve their lot but degated by his own failings. (221-1211).

Caus (Winter Garden), Still a sellout, Trevel Nama's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (230 %25).

And Street (Majestic). An immodest relebration of the heyday of flundway in the 1978; incorporates gents from the original film.

rates gone from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line.

Chorus Line (Shubert) The lon-

A Chorus Line (Shubert) The longest-running musical over in America has not only supported liberph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than entotions.

(25) 6200) Phantom of the Opera. The Majes-tic Thestre, stuffed with the Maria Moriach gilded sets, rocks with Andrew Lloyd Webber's

recognise its American incarna-tion: the shalers do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimiery of Pygmalion, this is no classic, with forgettable songs and dated lead-enness in a stage full of charac-ters. But it has proved to be a durable Broadway but with its marvellous lead role for an agile, engaging and deft actor prefera bly British (947 (833).

#### WASHINGTON

Enrico IV (Arena), Pirandello's mystery of the man who imagined himself as Emperor Berry IV of Germany is staged by Zelda Fichandier, (488) 3300). Ends Feb

#### February 12-18

#### TOKYO

Bunraku (National Theatre) The pupper theatre's greatest writer, Chikamatsu, has been compared Chikamatsu, has been compared with Shakespeare. Of the three Chikamatsu masterpieces in this month's repertoire, one, The Lave Snicides of Sonezaki, was first performed in May 1703, only a menth after the events it depicts took place. It was the first Japanese play to portray the lives of ordinary people. The incredibly beautiful suicide scene which is the play's climax begins with the famous lines. Farewell to the world and to the night farewell..." and is bound to bring tears to the eyes as performed by Living National Treasure, Taman voshida, and the other pupper operators. Informative earphone commentary in English. (265 7411) Ends Feb 21.

Kabuki (Kabuki-za) Sugawara Denju Tenarai Kagami (The Secret of Sugawara's Calligraphy). Act 1-3 at 11am: Act 4-6 at 4.30pm. The play is loosely based on the life of a master calligrapher of the ninth century, but its main appeal lies in the character of triplets who are retainers to three deadly rivals and become the victims of divided boyalties. (541 3131) Ends

Hakukinkan Theatre. Song and Dame 1988. An entertainment featuring two young jazz dancers from the USA, Bryant Baldwin and John Cheeseman, and one from Japan. Ryo Amamiya Ends Each 28

Aoyama Theatre, 35 Steps. A musical revue highlighting past, present and future productions by the Shiki Theatre Company, which is 35 years old this year from West Side Story to Phantom of the Opera There is also a rather tire some tribute to the French chanson (57) 10(3) Ends Feb 21 sun (571 1003) Ends Feb 21

A winner in Bullock

1.59.300. Bonhams held a sale of dog pictures on Monday to co-incide with Crufts. Rather frontically the top price of \$30,000 was

of lots of dogs by William Trood did well at \$17,600. Two exhibitions devoted to the work of George Bullock, the

don, gallery of furniture deal-ers, il Blairman, follows on Tuesday After 150 years of

والمنظمة والمتابع والمسترين والمراز والماري والمنافع والمنافع والمنافع والمنافع والمنافع والمنافع والمنافع والمتابع والم

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Wednesday February 17 1988

# Waldheim should go

his wartime record. But President Kurt Waldheim of Austria is an honourable man. The historians pinned no war crimes on him. Two years ago he denied that he had known about the deportations and mass killings in the Balkans. But Kurt Waldheim is an honourable man. Confronted with the historians' report he said that "everyone" had been informed (and never mind that he thereby undermined a standard and often justified alibi of so many forced servants of totalitarianism). Since his election to the presi-dency, the good name of Austria has been dragged through the mud. But Kurt Waldheim is an honourable man. He says, truthfully, that he was elected by due democratic process. He is less safe when arguing that democratic verdicts are not reversible. The election of President Nixon

was.
The case against Waldheim, the man, is not strong enough to warrant persecuting him. But the case against Walswerable. His wartime record is no worse than that of plenty of others on both sides of the Second World War, But his shiftiness under attack, understandable though it may be on human grounds, disqualifies him from the office Austrian President does not run the Government: but he is supposed to be the conscience of the nation. The Waldheim of the past two years is not the man for that role.

#### Social conflicts

If there were any doubt about that, it should be dispelled by the protocol subter-fuges by which he will be denied a central part in the observances, next month, of the 50th anniversary of the German annexation of Austria. Here is a country excluding its head of state from what is intended to be a celebration of its own identity.

To make matters worse the conflict surrounding the Pres-

A GROUP of distinguished cence of the social conflicts historians found that he had that rent pre-Anschluss Ausbeen less than candid about tria and helped to make it an easy prey to the Nazis. Those members of the conservative People's Party who want to stick to Mr Waldheim through thick and thin, and especially the party leader, Dr Alois Mock, should ponder the dangers. Their present coalition with the Socialists is not the with the Socialists is not the last word of political wisdom, but any attempt by the conservatives to break it up and go to the country on a "back Waldheim and hang foreign opinion" ticket is bound to leave a nasty smell and do the country lasting damage. No state flouts world opinion except at its peril.

#### Huge tasks

That is true even though the campaign against Mr Wal-dheim has been marred by excesses including, probably, forgery. No state can afford to sacri-

fice the need for reform - a need that nobody seriously denies in Vienna - to the ghosts of the past. The Socialist-conservative coalition faces huge tasks: putting to rights a clutch of state-owned enterprises losing money; rethinking Austrian relations with the European Commu-nity; reforming the tax sys-tem. There is enough there to challenge and strain the con-sensual system which gave birth to the coalition. If it cannot bridge its differences on these issues, which are the future of Austria, there would be a case for breaking up and going to the country. An election on the issues of the past would be at best absurd, at worst disastrous.

That leaves unanswered the question as to how to replace Mr Waldheim. The constitutional procedure that could be adopted is uncertain, especially as it must lead to a referendum which Mr Waldheim might win in the the present state of public opinion. He must be reminded that he has taken an oath of office which binds him to serve the best interests of the Austrian Republic. The time has come for Mr Waldheim to do the

## **Lord Cockfield** asks too much

THE European Commission's on VAT would be hit espedrive to abolish internal bar-cially hard. The IFS reckons riers to trade within Europe by 1992 deserves the support by about a quarter in Denof EC member countries. But mark, bureaucrats in Brussels should be careful to keep their enthusiasm for harmonisation in check. Uniformity should not be imposed for its own sake, but only when it is trade. The demands for closer alignment of value-added tax rates and excise duties fail to meet this criterion; Brussels is here demanding changes that are politically highly charged, yet economically unnecessary.

Lord Cockfield, the vice-president in Brussels responsible for the internal market, wants to impose two VAT bands on member states: a standard rate of between 14 per cent and 20 per cent for the majority of commodities and a reduced rate of between 4 per cent and 9 per cent for a limited number of sensitive items such as food, books and transport. On excise duties, he is demanding even greater uniformity: the same rates of tax in all countries despite enormous existing disparities.

#### Alcohol taxes

These demands are extremely onerous. The UK, for example, taxes alcohol heavily by European stan-eliminate competitive distor-dards. To conform to the tions, he ought to press for Cockfield rule, it would have uniformity of the taxes that to reduce levies on spirits and do vary with the location of wine by around 50 per cent. In a study published yester-day, the London-based Institute for Fiscal Studies calculates that this would lead to a rise in alcohol consumption of as much as 40 per cent. Mediterranean countries, by contrast, would face huge increases in taxes on ciga-

rated items such as food at the consequences of their own the minimum rate of 4 per high taxes. At most all that is cent. Brussels is thus asking necessary are lower bounds Mrs Thatcher to renege on for tax rate to limit the scope election pledges. Children's for "competitive" tax cuts. clothing, a sensitive item in Bands as such are unnecesthe UK, does not qualify for sary. In his haste to eliminate the reduced band and would controls, Lord Cockfield is in therefore have to be taxed at danger of imposing fresh and the standard rate. Countries unnecessary that rely particularly heavily EC members.

indirect tax receipts could fall

#### US practice

It is clear that the dismantiing of frontier controls will require changes in the admin-istration of member countries' tax systems. The way in which VAT and excise duties are collected has to change because countries rely on frontier documentation in collecting and enforcing the tale. levies. But it is less obvious At that rates have to be closely aligned. Think of the US where a profusion of different sales taxes in different states does little to impede

vigorous competition.
In particular it is unlikely that differences in indirect taxes give producers in differthe French fashion glossy will be published in July and available at some 4,000 different parts of VAT depends on news-stands throughout the country. Hachette expects to print up to 100,000 copies for the first issue and hopes to increase the number to 300,000 manager that the scoon bears VAT at 22 per cent in Danish shops yet is untaxed in UK supermarkets. More generally, with the lit will be clearly difficult to indee the circulation since we lask whether she has followed. cent in Danish shops yet is untaxed in UK supermarkets. More generally, with the exception of excise duties on some fuels, indirect taxes are levied on final consumers, not factors of production. If Lord Cockfield really wants to eliminate competitive distorproduction - for example payroli taxes and corporation

Different rates of VAT present a real problem only to the extent that they encourage cross-border shopping by EC consumers. High VAT countries could lose retail business to low VAT counrettes and alcohol.

On VAT, the plan would require the UK to tax zerosels to protect countries from for tax rate to limit the scope unnecessary constraints on

As Mr Lawson prepares the Budget, Michael Prowse assesses his tax record

THE APPROACH of Mr Nigel Lawson's fifth and possibly last Budget is focusing attention on the pros-pects for radical tax reform. What counts as radical and what counts as reform, however, remain subjective and controversial issues.

The free-market right regards any cut in income tax rates as reform: it would be delighted if Mr Lawson brought the top rate down to, say, 40 per cent and reduced the number of bands. Delight would turn into ecstasy if the Chancellor also took an axe to levies on capital and did away with the much-resented inheritance tax.

But for the socially-concerned left, reform is synonymous with steps to increase the fairness of the tax system. The Child Poverty Action Group, for example, points out that the better-off have gained disproportionately from the tax changes of the past eight years. In its view, further cuts in tax rates

should take low priority.

The Chancellor should instead begin to sweep aside the "welfare state" of tax perks and allowances enjoyed by the better-off (concessions such as mortgage interest relief and subsidies for pensions and company cars) and concentrate state assistance on the poor, especially those with children.
Fairness, it must be admitted, has

taken a back seat in the worldwide tax reform debate of recent years. The spotlight has been on technocratic virtues such as simplicity and economic efficiency. But the pendulum is likely to swing back in due course: as the scale of the tax cuts enjoyed by the rich becomes better appreciated, equity considerations are likely to reassert them-

Resource constraints in the public sector - particularly the crisis in the National Health Service - are already bringing questions of fair-ness to the fore. The Confederation of Health Service Employees (Cohse), for example, is planning to prick the nation's conscience with a "day of action" on March 14, the eve of the Budget.

Mr Lawson is expected to focus mainly on personal tax changes next month, on the grounds that he has already dealt with corporation tax, capital taxes, and savings and investment. Fiscal experts, however, complain that most of the so-called reforms in these areas have been half-hearted. Their (probably forlorn) hope is that the Chancellor will try to put right past mistakes, as well as to break new The corporate tax reforms of

1984 are far from universally admired. Mr Lawson is heavily criticised for removing all adjustments for the impact of inflation - a curious decision when the Government has gone to great pains to try to "index" other levies such as capital gains tax. Corporate taxes are based on historic-cost (and hence partially fictitious) measures of profit, when most economists, including the Treasury's deputy chief economic adviser, regard current-cost profits as a better gauge

of economic performance.

Mr Lawson also phased out capital allowances, supposedly to remove an artificial incentive to invest. Yet recent research by the Institute for Fiscal Studies suggests that the old regime included a small Chancellor has managed to do is to increase this disincentive by raising the cost of capital in industry.

Flaws in the corporate tax regime matter because the levy now bites so hard. It is expected to raise about £14bn in 1987/88, more than a third of the expected yield from income tax; when Mrs Thatcher

# Reform is more than lower rates

A welfare state for rich and poor



Single earner married couple on £30,000 p.a.

16.79 Married man's allowance at 50%

71.89 Mortgage interest tax relief+pension•

9.23 Company car 5.50 National Insurance personal pension subsidy

103.41 Total tax relief

A Difference between the Married Man's Tax Allowance at 50%(applicable to £30,000) and at 27% basic rate

● assuming MMA already set against income, £281.25 allowable interest on mortgage, maximum contribution to personal pension for a full year As in DHSS Tax Benefit Model Tables, Nov 1987

Unemployed

aged 4 and 6 £/week

2 children 20.80

Supplementary 49.35

Housing costs 27.75

■Welfare milk 1.75

Total benefits 101.98

benefit:couple

■School meals

couple with

2 children

Source: Child Poverty Action Group.

took office it was yielding less than £4bn, or less than one sixth of

The Chancellor's 1986 reform of capital transfer tax has been savaged by tax experts. What he did was reintroduce the old estate duty under the new (and inappropriate) name of inheritance tax. As Professor Cedric Sandford has pointed out, the result is a state-run "lot-tery" on length of life. You pay tax only if you die within seven years

of making a transfer.

Mr Lawson missed a golden opportunity to introduce an inheritance tax worthy of the name: a tax on the recipients of wealth rather than on the donors. As the IFS argues, such a reform could do much to promote genuine equality of opportunity.

Suppose, it says, wealth receipts were taxed on a separate but identical scale to income tax. Then £100,000 left to one person would attract a lot of tax; but 100 separate bequests of £1,000 would attract no tax at all. A powerful incentive for the dispersal of wealth would thus be established. A Government genuinely interested in "popular capitalism" can surely not leave Mr Lawson's inheritance tax unreformed.

The Chancellor's attempts to rationalise the taxation of savings and investment have been equally unsuccessful. In 1984, Mr Lawson approach, under which distortions would be minimised by the "levelling up" of tax allowances. In effect the privileges of pension funds would gradually be extended to all

forms of savings.

The Treasury tried the opposite tack of "levelling down" allowances. It managed to remove the

comparatively minor anomaly of life assurance relief but failed, partly because of lack of political will in Downing Street, to strip the mighty pension funds of their privileges. Bricks and mortar, of course, also held on to their remarkable reliefs.
By 1986, Mr Lawson was ready

to try the other tack: tax-privileged personal equity plans were unveiled in an attempt to counter the overwhelming fiscal advantages of institutional investment. But they have not been a success; only around 3 per cent of share-owning individuals have exploited them and these have been mainly rich investors with large portfolios - hardly the new entrants the Chancellor was hoping to encour-

At the start of the Tories' third term, therefore, the tax regimes for companies, capital transfers and savings are all badly in need of reform. In addition, the Government is under strong pressure from the European Community (not to mention tax economists) to extend value-added tax.

Sir Geoffrey Howe (Mr Lawson's predecessor) achieved a shift to indirect tax in 1979 in the worst manner possible: by an inflationary near-doubling of the rate of VAT rather than by a logical extension of its coverage. The Government has since been unable to sion of the tax, which covers less than 60 per cent of consumers' expenditure. One important reason for public hostility has been the failure of ministers to offer to insulate the poor from the effect of extension by raising social security

The main thrust of personal tax

reduction in tax rates. They have already come down considerably under the Tories. The basic rate is 27 per cent compared with 33 per cent in 1979 and the top rate is 60 per cent compared with 83 per cent (or 98 per cent if the old investment income surcharge is added in). Mr Lawson will aim for a top rate of less than 50 per cent -possibly as low as 40 or 45 per cent and a basic rate of 25 per cent.

reform on March 15 is likely to be a

The 98 per cent rate was an aber-ration, but the efficiency arguments for further cuts are less strong than is often claimed. As the IFS argues, "there is little evidence either to support or refute the view" that lowering tax rates would improve economic perfor-

The argument that high taxes are automatically a work disincentive rests on the fallacy that individu-als utility or sense of well-being is determined entirely by the rate at which they can transform work effort into private consumption. But it is rational also to care about the quality of public services; indeed, most polls show that people would prefer higher public spending to the control of the ing to tax cuts.

Britain's top rate of 60 per cent is slightly below the average of top rates for the rich OECD countries. So there is no overwhelming pressure to "conform" to international omy has been displaying unusual buoyancy in recent years even with its "high" marginal rates on earned

Equity arguments, by contrast, are more concrete. The after-tax distribution of income has become markedly more unequal under the Tories. And as the Child Poverty



Action Group stresses, the average weekly gain to the top I per cent of taxpayers from past tax cuts has been worth nearly twice the total weekly income of an unemployed family with two children on supple mentary benefit. To push further in the direction of inequality will be a political gamble with incertain economic dividends.

The equation of tax reform with rate reduction is a misconception: Instead of settling for the superfi-cial simplicity of fewer tax bands and lower rates, Mr Lawson argiably should concentrate on raising the threshold for income tax, thus taking many poor families out of tax altogether. He could also work towards the creation of a fairer and more fational personal tax

This would involve reining in the middle class's, "welfare state" of perks and allowances. Income in-kind, which economists recognise as an inefficient form of payment should be taxed more severely: company car concessions alone cost the Exchequer about £1bn a year. More important, all special allowances - such as mortgage interest relief - could be restricted to the basic rate of tax, pending their abo-lition; this would be valuable even if the top rate is reduced. At present, high earners can reap bigger rewards from their welfare state than the poor get from the real thing.

No reform of personal tax can ignore national insurance contribu-tions, which are a tax in all but name (Beveridge's plan to link them actuarially with benefits proved quite unworkable). NICs ideally ought to be fully integrated with income tax. But if this is too bold an objective for this parliament, the Government could make ment, the Government could make contributions payable on unearned income, scrap the levy's anomalous £295 a week ceiling, and make the tax more progressive by raising the rate for higher earners.

The final priority has to be an overhaul of the Napoleonic rules governing the terration of hyphysical

governing the taxation of husband and wife. Besides eliminating overt sexism in the code, Mr Lawson has to decide whether the tax unit should be individuals or married couples. The introduction of partially transferable allowances between spouses (once Inland Revenue computerisation allows) would represent a muddy and administra-tively complex compromise. People cannot be regarded as fiscally independent if they are continually shuffling allowances among them

The bold course would be to foilow the international trend towards fully independent taxation and able allowances for spouses. Mr Lawson, however, is more likely to settle on a compromise that falls short of economic rationality - just as he did in the taxation of savings, inheritance and company profits

This is the second of a series in which FT writers look at prospects for the coming Budget.

#### Chinese Elle

#Hachette, France's leading publishing group, made certain yesterday not to be outmanoeuvred by Ambroise Roux, the veteran deal-maker who has replaced Jimmy Goldsmith at the head of Générale Occiden-

At the very moment that
Roux was announcing the creation by GO of a major new
French publishing group second
only to Hachette, his bigger

for general distribution."

The Chinese Elle will be published as a joint venture between the French group and the Shanghai Publishing House, a Chinese government institution. The plan is to move to four issues in 1980 four issues in 1989.

carry a heavy load of advertising. "Major western fashion and
luxury goods manufacturers to be seldom available in
are keen to advertise for prestige reasons in the first issue, even though many of their products are probably com-pletely unknown to the Chinese

experience. Hachette already printing its own.
has a Chinese edition in Hong The unconvincing pound
Kong which sells about 30,000 notes bearing the Queen's head copies a month. But unlike the and a message from NUPE were Hong Kong edition, the new handed out yesterday by two

## *DBSERVER*

Chinese Elle will be in Mandarin not Canto The venture is also the latest

step in Elle's foreign expansion during the last few years. The magazine, which sells about ½m copies a month in France, now has a circulation of about Im a month in the UK and 250,000 a month in the UK. In both the US and the UK, Elle is associated with Rupert Murdoch.

There are already Spanish rival disclosed an agreement with the Chinese Government to publish Elle in China this year.

The first issue in Chinese of the French fashion glossy will more difficult. Unlike the Rushamblehad in luly and avail.

East Europeans, aware of Margaret Thatcher's links with Mikhail Gorbachev, sometimes ask whether she has followed the Soviet leader's example and outlawed yodka or at least judge the circulation since we expect each copy to be read by at least 35 people," said an Elie executive yesterday. "And I wouldn't be surprised if many more issues will be photocopied for general distribution." cally banned Perrier, though i is well enough known that she

Brecon Beacons Natural Water, the company that now officially supplies the House of Commons, sent us a couple of samples of their wares the other day. It is all right, but only a chauvinist would say it was a patch on the French It will be the first pubucation of a western magazine in China. Only a chauvinist would say it of a western magazine in China. Only a chauvinist would say it of a western magazine in China. Only a chauvinist would say it of a western magazine in China. Only a chauvinist would say it of a western water though it seems

#### Pound of flesh

pletely unknown to the Chinese Dismayed that its call for public, said an Elle advertising more money for the National executive.

For Elle, publishing in Chiunheeded, the National Union nese is not a dauntingly new of Public Employees has started

"One day, my son, all this ill be yours - and you'll

usands on tax into the bargain."

nurses picketing the Bank of England at morning rush hour. Chris Humphreys, NUPE's London divisional officer, said the day, exactly a month before the budget, had been chosen to demonstrate that a Ip cut in income tax would cost \$1.3bn.
"We want that for the health
service," he said, then, on reflection, added: "But one bil-lion would do." The Bank of England was not

amused by the demonstration yesterday. A spokesman pointed out that reproduction of any part of a banknote, including the Queen's head. needed its prior approval and newspaper to the same culinary this had not been obtained. "If they had approached us," he said, "we would have tried to discourage them." Humphreys, whose officers handed out per's motto - Without fear and the newspaper of the pretend newspaper. 3,500 of the pretend notes dur- without favour. The French ing the day, was unrepentant. He said: "I am sure that the Queen is a supporter of the NHS and wouldn't mind. We are glad to have her on board."

for the City in two weeks' time. NUPE is printing NHS share certificates which it plans to hand out outside the stock exchange.
A spokeswoman for Buckingham Palace confirmed on the telephone yesterday not only that the Royal Family supports the Health Service, but also that it sometimes uses it.

Tummy trouble EA tale of how plastic sur-geons were hoaxed by one of their own is told, and illustrated, in a history of the first 40 years of the British Association of Plastic Surgery, spon-sored by Smith and Nephew Medical.

The hoax was perpetrated upon the editor of the association's journal, the British Journal of Plastic Surgery, in a paper in his first volume in 1948.

Sketches to illustrate an article on surgically shrinking a protuberant tummy, left lying on the editor's desk, drew the attention of a passing graffito artist. He added a few embellishments to two of the 15 sketches showing the various excisions a surgeon might use in "abdominal reduction". These additions escaped the eye of editor, author, proof-reader, even the readers, and came to light only when the artist him-self confessed 24 years later. One wonders how many cos-metically remodelled abdomens

bear scars which have an uncanny resemblance to a wasp or a man in a trilby hat. Their owners, viewing them upside down, may never have noticed.

#### No FT, no taste

The Financial Times has been consigned by a French

version was "Sans peur et sans saveur".

A journalist at the paper in Paris admitted that the error was not deliberate, but said she He promised more attention wished it had been.

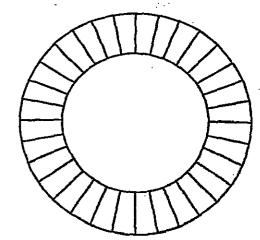
## Word Circle

A ring of 6-letter words, each overlapping by two letters, have been divided into 2-letter groups and arranged in alphabetical

AN, ED, GL, IT, OR, PH gives the answer: ANGLED, EDITOR, ORPHAN

Now try to unscramble the following to find a circle of eight 6-letter words.

> NE, ON, OR, RE, ST UR



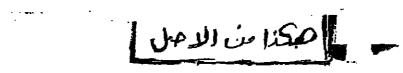
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#### Kenneth Gooding looks behind the recent slide in world bullion prices

IN THE singular world of gold mining it is possible today to raise \$450m cash and pay interest of only 2.5 per cent.
Newmont Mining, which is rapidly becoming North
America's biggest gold producer, has done just that by raising a gold loan.

Newmont borrowed gold from a group of banks, turned it into immediate cash and will return the precious metal, ounce for ounce, from its own future production over the next five years. The news of the Newmont deal has been hanging over the market for weeks and has depressed the price of gold

This is not surprising: it is the biggest-ever gold loan and highlights a new form of financing increasingly popular in the precious metals business.

Some analysts suggest that Newmont might be solving its own problems at the expense of the rest of the industry driving down the price of gold at a time when the fundamen-tals suggest gold should be heading fast in the other direction.

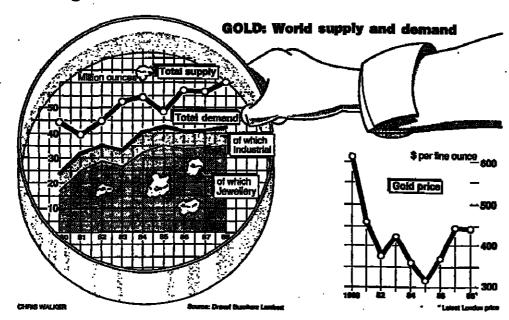
As far as many investors were concerned, gold already had a somewhat tarnished reputation. For traditional gold bugs, October's crashing markets, the devalued US dollar and the threat of future inflation as the central banks pumped new money into the system should have meant that the gold price rose dra-

matically. Instead, after having briefly gone above \$500 a troy ounce just before Christmas – its highest level since February 1983 – the gold price has been gently sliding since the

Those that think gold is retaining is historical status as a precious metal point out that, by ending 1987 at \$487 an ounce, gold registered a gain in dollar terms of 21 per cent over the course of the year. And that followed a 25 per cent gain in 1986

In fact, there were several reasons why gold failed to take off vertically after Black Monday. There was a certain amount of selling of hoarded gold by people who had previ-ously invested in the metal because they believed the stock markets were too high. They cashed it in, often to cover other pressing commit-ments caused by the crash. modest interest can be paid in

But the most substantial element in the equation was the producers themselves. When the metal rose briefly to \$490 an ounce on October 19, "producers everywhere, including South Africa and the Soviet Union, tried to cap-



# Putting a future value on gold

italise on the high price and sold", says Mr Jeffrey Nichols, president of the New York-based American Metals Advisors consultancy group.

Mr Robert Guy, a director
of merchant banker N.M.
Rothschild and Sons, agrees.

"The new major gold mining companies have become a major influence on the move-ment of the gold price. The rise in the gold price above \$470 was an opportunity too good to miss." In Mr Guy's words, produc-ers rushed to "lock in profit-

". by selling forward as

much future production as possible at the high price. Mining companies use gold loans for one of two reasons: they either take a view that the price is unlikely to go much higher in the medium term, or they want to raise capital for investment. They borrow gold bullion at interest rates in the 1.5 to 3 per cent range and the debt is denominated in ounces of gold rather than dollars. Even the

Such a system is particularly attractive to the Australians. This is because first, the tax-exempt status of the gold mining industry in Australia makes it unattractive to borrow conventionally at high interest rates and, second, many very small companies which would have difficulty in providing security for more orthodox borrowing.
Mr Peter Fells, an executive

director of Consolidated Goldfields, said recently that gold loans have accounted for about half of all reported financing by Australian gold mining companies in the three vears to mid-1987.

Much of the money has been used to finance further mine development. Newmont is a special case. Last year it fought off an aggressive cor-porate raider, Mr T. Boone Pickens, thereby lifting its debt to more than \$2bn. The gold loan will be used to reduce the interest on a great deal of that debt. During the past 20 years

jewellery has been the corner-stone of the gold market. In that time about 60 per cent of the gold coming to the market has gone into jewellery. And nearly 8,000 tonnes, or 30 per cent of all gold supplies (excluding central banks), has been absorbed by a broad sweep of countries from Morocco to Egypt, Turkey, Saudi Arabia and the Gulf, the Indian sub-continent and south-east Asia

Mr Green, in his book, The Prospect for Gold: The View to the Year 2,000, says: "This

because the industry includes off-take includes 18-carat gold jewellery exported from Italy, 22-carat locally fabricated jewellery, coins made in local factories, kilo bars, and a wonderful range of small bars. They are sold on very low mark-ups over the gold price of the day, and repre-sent the basic form of saving for millions of people in coun-tries where banking systems, savings schemes and stock markets are not available (or to be trusted)."

to be trusted)."

But can gold hold its value if - as seems possible - there is a glut of production in the next few years? During 1985-88 some \$3.2bn will be spent on new mining capacity to bring on stream an extra 238 tonnes of gold production equivalent to nearly one fifth of total western world output in 1986.

Optimists point out that in a comparison between the years 1985 and 1986, gold supplies from communist bloc sales and scrap increased by 358 tonnes but despite this the gold price rose by \$50 an

The gold production increases we can anticipate between now and the year 2000 can hardly be described as taking us into uncharted waters," says Dr David Rees, international financial services manager of GoldCorp already been sold.

Australia "Nor are the volumes of gold likely to hit the world market of such an order as to throw it into con-

The optimists also point out that the Japanese seem to be getting a taste for gold as an investment. In 1986 the Japanese bought 6m ounces of gold bullion, virtually the combined production of the US and Canada that year,

There is also the fact that the price of gold remained relatively high last year in spite of the impact of the gold loans and a fall in demand. It stayed firm because output also fell sharply. Supply, including scrap and the selling of hoarded jewellery, came to about 58m ounces (about 1,800 tonnes), down 13 per cent from the record of more than 66.8m ounces (2,087 tonnes) in 1986.

Mr Nichols, of American Precious Metals Advisors, forecasts that supply this year will rise to about 63.3m. ounces and that industrial users and jewellers will take about 44.7m ounces.

Looking at the metal's performance over the past few weeks he reckons that Newmont should not be allocated all the blame. "Gold loans have not been the only force pushing precious metals mar-kets lower. Both the Soviet Union and South Africa reportedly have been heavy sellers. Miners everywhere have stepped up their for-ward sales, literally racing to

see who can sell first.

"The stepped-up pace of selling is itself a consequence of the increasingly bearish and pessimistic psychology that has taken hold of the market since New Year's dev market since New Year's day. And buyers have been absen partly reflecting seasonal trends, but partly because of the discouraging effect of a stronger dollar, stable stock markets, favourable inflation news in the US and continued satisfactory real growth in the major economies.

Gold's supporters point out that it is worth remembering that what is sold today can't be sold tomorrow. In other words, the effect of increased forward sales like the Newmont loan is to shift the flow of gold supply from the future into the present. Not only will the reduction in the flow of forward selling ease the pressure on the gold price fairly quickly as the year progresses, but the flow of new mine production into the market over the second half of the year will not depress the price because it has Franco-British relations

## Time to stress the common interests

By Jean-Pierre Chevenement

IN WHICH direction is Europe heading? What will make it tick? I am convinced that the strengthening of Franco-Brit-ish bonds will greatly help to

answer these questions.
France was in at the beginning of the European Commu-nity. The UK took a long time to sort out where its centre of gravity lay: in Europe, no doubt, but also in the Com-monwealth and in the United States. Europe is a more recent choice, and some see it as being more fragile and by

no means exclusive.

And yet, have not France and Britain a great deal in common? Enough, at any rate, to draw their conceptions of Europe's future closer

The history of these two countries has led them away from Europe. Long-time world powers, they have acquired reflexes and views that put Europe in a much wider geo-political context. (The fact that each has a nuclear deter-rent reflects this attitude.) Britain and France are in a good position to assess the relative decline of Europe and the risk of deindustrialisation. Both are strongly attached to their national identities. They do not want a Europe that would efface their specific characters. On the contrary, they are seeking the sort of Europe that would give them a new dimension, anew impetus.

In France, people attach a great deal of importance to those aspects which separate Britain from Europe. I believe that it is now essential to stress the shared preoccupations and interests. First, both countries see Europe ás a confederation in which distinct nations are grouped together, each determined not to lose its uniqueness, but to seek the possibility of a shared devel-

Second, Britain, like France, is allergic both to the development of community bureaucracy without properly defined objectives, and to institutional artifice, which covers up difficulties encoun-tered in fields which are crutered in Helds which are cru-cial to Europe: science, tech-nology, industry, social policy, common trade policy, currency, defence and space.

In all these areas, however, the views of the current British Government differ from those of the French Socialists. The UK's more than reserved attitude towards the Euro-

pean space programme illustrates the divergences.

It would be regrettable if these disagreements were allowed to mask the shared outlook which, in the long run, may become obvious in practice. The British and French must agree jointly to promote a pragmatic approach, which should over-whelm the abstraction of a supranational Europe cut off

European achievements,

from reality.

such as space research, Air-bus and Eureka (which the British have supported from the start) were only possible because voluntary partners were rallied, motivated by their enthusiasm for the actual projects. The principle variable-geometry Europe", one in which national partners come together on specific projects depending on their enthusiasm and commitment, should not exclude other possibilities, but since it has been a ss, it should become a source of inspiration For historical and geograph-

ical reasons the Franco-Ger-man partnership plays a central role in the construction of Europe. However, this should not lead us to overlook or underestimate Britain's eco nomic, political and financial weight. Surely it is time to propose that Britain and France work out what an ndependent Europe should

In future, Europe will be less a part of the American less a part of the rimer call sanctuary: what some call "decoupling" is gradually gaining ground. The interme-diate nuclear forces treaty, signed by the US President and the Soviet leader, positive though it may be, is in some ways a reflection of this tendency. This trend will probably become reality by the end of the century. Should not Europe try to anticipate this situation?

Any discussion of an autonomous European defence sys-tem must include West Ger-many, Britain and France. The latter two could contribute their powerful military industries, which should cooperate more closely. They can provide the nuclear hard core around which a European deterrent could be structured. This is the only strategic concept which matches the geographic situation of the continent and the only one that would reassure Ger-

However, in the nuclear era, this inevitable decoupling in the field of defence, which calls for the remodelling rather than the dissolution of the Atlantic Alliance, implies an economic decoupling as well. The present economic situation has reinforced the urgency of giving new impe-tus to European growth in order to limit the risks of a worldwide recession.

This raises the question of whether Europe is capable of developing independently, both in technology and indus-try, and in the monetary and financial sphere. President Mitterrand has made an appeal for a new multipolar economic and monetary order, revolving round the dollar, the yen and the Ecu. Clearly, this cannot be achieved unless Europe finds inherent sources of growth and cohesion.

Britain's active participa-tion in this task is one of the conditions for its success. It would provide the essential element of balance, in particular to help reinforce the European monetary system and promote the Ecu to the rank

of a true currency.

The choice is becoming more and more irreversible, with the tunnel under the Channel as an excellent symbol. I believe that it is fortunate for Europe that Britain, instead of withdrawing, is trying to make its mark; while France, because of its similar views, is in a good position to engage in a fruitful dialogue with the UK. The main point is for the dialogue to begin because it could substantially contribute to the construction of a truly European Europe.

The author is parliamentary deputy and mayor of Belfort. He served in the Socialist Government from 1981 to 1986.

#### Anglican anxieties

From Mr Frank Field MP. "Seeking the Moral High Ground" (February 13), misleads your readers by suggest-ing that the argument about the Church's political role is only a concern of the right. It is not. In their attack on John Selyn Gummer the Archbishops Canterbury and York try to have their cake and eat it. As God made this world, the Primates claim that everything that goes on in it is of concern to God. It is therefore as right what is going on in secular soci-

ety. But this natural involvement will be mirrored by that of politicians who question the Church's political approach, and may well lead to a concern about events in the realm of what is crudely called "Church

Unlike many on the right, John Gummer has never dis-puted the right of the Church to be political. What he has questioned - as others have - is how well it does this task when the exercise starts from secular premisses rather than an attempt to relate God's vision to contemporary events. Similarly your correspondent,

#### Letters to the Editor

in drawing attention to Dr Habgood's "scornful treatment of Mr Gummer in a letter to The Times," misses the main point. What Mrs Thatcher thinks what Mrs Thatcher thinks about Dr Habgood is not the only thing at issue. More important is the attitude of many practising Christians.

To put it at its kindest, Dr Habgood's comments about the Crockford's Preface cannot have provided much solace to Gary Bennett in the days before his suicide. Nor does an attempt at a witty letter to The Times let the Primate off the hook upon which he so eagerly impaled himself. Under the circumstances, a straight apology for his behaviour was required. I agree that, while John Gum-

mer seems somewhat obsessed with homosexuality – a topic Jesus did not even bother to mention – his main thrust has wide support. The Church is in ion of the most important message ever given to mankind. The Anglican church has always believed that the presentation of this message requires a drawing upon Scrip-ture, tradition and reason.

I believe that current failure to advance this special Anglican contribution to understanding how God speaks to the world is the ground for the widespread disappointment with the present Anglican leadership. Frank Field,

House of Commons, Westminster, SW1

Firm commitment to an important change

From Mr Selwyn Alleyne. Sir, Readers of your leader on Hong Kong (February 11) could have been left with a wrong impression about recent events

impression about recent events and the reaction of the Hong Kong public to them.

On February 10, the Hong Kong government tabled a White Paper in the Legislative Council on "The Development of Representative Government: The Way Forward." As you correctly reported, this provides that, in 1991, 10 members of the Legislative Council will for the first time be directly elected for some countries that rushed precipitously along the road of political reform, is it so surprising that we have instead opted for the path of steady progress?

Prudent, practicable politicies may not make good headline material. But they do make for good government. Selwyn Alleyne, Hong Kong Government Office, of Grapton Street, W1 the first time be directly elected 6 Grafton Street, W1

by universal adult suffrage.
To those in a mature democracy like Britain, this new step forward may seem pretty small beer. But for us in Hong Kong which until 1985 had a wholly sents a very significant advance. The community is sharply divided on the advissharply divided on the adva-ability of moving as early as 1988. This is why the Govern-ment has decided that the right time to take this important step forward is 1991.

The overwhelming reaction from the Hong Kong public and media was that the changes represented a prudent, mea-sured response to the many and varied views expressed by the

Of course, some members of the public were disappointed that the reforms did not go further. But the important point is that we now have a firm commitment to an important

Bearing in mind the experi ence of some countries that

# he best

Exchange of ideas, that is. Because as you can see from the list below, there's going to be a great deal happening in Singapore over the year.

Whether your interests lie in electronic engineering, communications or psychology, there are seminars, exhibitions and conferences which involve you. They mean a chance to listen to top speakers and to discuss the latest developments in your field.

And when thinking is over for the day, there's an exciting programme of entertainment in store. From luxurious hotels and thrilling sights, to unlimited shopping and a variety of splendid restaurants, Singapore offers all the best of exotic Asia.

And, for your professional interest. some of the best conferences in the world.



#### NHS priority is better management rather than more money

From Mr J.C. Hurst.
Sir, You are right to conclude your editorial on the financing of health care (February 15) by emphasising that the priority is not so much to find more money (although this is vital) as to find ways of improving the internal organisation and management of the National Health Service.

Since my appointment as hairman of Wirral Health Authority two years ago I have been appalled at the lack of ent information in the NHS. I have strained at the prospect of improving account-ing systems in our hospitals. Until we know where the money is going, we cannot hope to manage properly. Wirral Health Authority,

Clatterbridge Hospital, Clatterbridge Road. Bebington, Wirral, Merseyside

From Mr John McGarry. Sir, I read Michael Prowse's article on the National Health Service (February 6) with interest. In this part of the UK Proor Enthoven's ideas would fall down for the following rea-

The next nearest District General Hospital is 46% miles away on a winding B class road which is often blocked with trees, flooding, or snow in win-

ter - and thousands of holiday-makers in the summer.
There is little public transport, and what there is is declining. The rail-link is shortly to be

The hospital car service has The North Devon population is an ageing one and should not be force to travel when sick; relatives likewise.

hospital in North Devon, as there never has been any demand for such a service; pri-vate health insurers tell us that the percentage of people thus insured here is lower than any-where else in the UK. I think Professor Enthoven's ideas would be difficult to put into practice here, and in many other poorer and rural districts. John McGarry, The Old Rectory.

Barnstaple, Devon

From Mr K.T. Hesketh.
Sir, Nothing could have been more apt than the juxtaposition of Michael Prowse's article on the National Health Service with a letter from Mr C.D. Grant entitled "Bad news is news and good news is no news" (February 6).

Mr Prowse would appear to use suspect statistics to try to justify what he is saying. In order to criticise private medicine he alleges that because doctors in the US are paid on an item-for-service basis "...they have a cash incentive to perform too many operations. Yet other profes-sionals are paid on that basis in

this country, and in every other. It does not follow that British doctors behave in this way. In practice, I think, quite We are a low wage area: travelling costs are a serious prob-lem for most ordinary people. Finally, there is no private To emphasise his point Michsel Prowse says that an American woman, for example, is three times more likely to have a hysterectomy than her British counterpart. What makes him choose the US for his figures? not France or Germany,

Why does he wish to compare US private medicine with the National Health Service? He should compare like with like. The US has a different medical system with different cultural and social demands upon it. My experience of private medicine in the UK is that it is far more cost-effective than the state

our problem over waiting lists has been with us for many years - certainly 20 years without attracting a great deal of media attention. Is it that this topic is currently selling

system, and far more in tune

absence of other grounds on which to criticise the Govern-

My waiting list would not exist if it were not for a back-log of work being rolled over from previous years, when resources were extremely poor compared with those which we have now.

If it were possible to sell off that backlog of non-urgent sur-gery to other NHB or private hospitals, the position would probably stabilise without the need to inject further large cap-ital sums into the system. If the Department of Health and Social Samulas (NHBS) Social Security (DHSS) would publish an accurate list of the cost to the state of individual operations, it is more than likely that private hospitals allowed to tender for that work would clear the waiting list in a short time, within that cost

That would mean that the problem would mostly go away without additional funding. There would be left in place a system which has probably increased its productivity more than any other during the last 10 years, largely in response to an unprecedented programme of new hospital building and

K.T. Hesketh Sarum Road Private Hospital Winchester, Hompshire

Conferences 1988

9th Congress of the Asian Association of Paediantic Surgeons

10th International Conference on

1st Asian Pacific Cleft Lip & Palate

□ 6-10 Apr 1988

☐ 11-15 Apr 1988

☐ 15-19 Apt 1988

☐ 20-23 June 1988

Conference

Software Engineering

Pacific Transport Freigh

AD 2000 & Beyond

☐ 21-25 Aug 1988

☐ 11-13 Oct 1988

25-27 Oct 1988

Distribution Exhibition &

5-7 Aug 1988
 The 2nd Singapore International
 Dennal Exhibition & Conference

International Council of Psychologists (ICP) Meeting

City Transport Conference & Exhibition

Airlines International Electronics

SIDEC '88 'Dentistry's Challenge

20-25 Nov 1988 38th International Organisation for Motor Trades & Repairs (IOMTR) Congress	22-25 Nov 1988 Meral Asia 88 Autom Asia 68  To: Shagapore Convention Bureau
Exhibitions 1988	Singapore Tourist Promotion Board,
13-16 Apr 1988 Food & Hotel Asia 88	126-130 Regent Street,
11-14 May 1988 Sibex 88	London WIR 5FE, UNITED KINGDOM.
Communic Asia 88 — International Electronic Communication Show & Conference Inforect Asia 88 — Computer Communication & Information Systems Show & Conference	Please send me:  more information about Conferences & Exhibitions indicated  the Singapore Convention Exhibition Calendar
☐ 8-11 Sept 1988 Sesfood Asia Conference & Exhibition	Name:
25-28 Oct 1988  Enex Asia 88 incorporating:  Electric Asia 88  Asia Electronics 88	Organisation:

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حكدًا من الأصل



## **FINANCIAL TIMES**

Wednesday February 17 1988



There's really only one name to remember Contract Hire, Leasing, Fleet Management

Defence and the economy will be the key issues in Washington, reports David Marsh

## **Bonn worried** about Soviet military threat

agreeing a worldwide ban on chemical weapons.

Difficulties put forward by the US in verifying Soviet treductions of weapons in both these categories are thought to be a narticular hindrance.

Bonn officials said yesterday that talk of US troop withdrawals represented "the wrong signal at the wrong time" to the Soviet Union.



anies for a commitment to reduce present Warsaw Pact and Nato arsenals of short-range nuclear weapons as part of an overall "disarmament concept" – also including conventional and chemical weapons – to be negotiated in coming years.

## Kohl to urge further support of dollar

WEST GERMANY is hoping the US will take further action to restrain its budget deficit at a time when its own public sector borrowing is rising dramatically, turning into a potential electoral milistone for Chancelor Helmut Kohl.

However, the ballooning federal government shortfall will at least protect Mr Kohl when he is in Washington this week from perennial American calls that Bonn should ease its fiscal

The West Germans have been pleased and relieved at the recovery of the dollar since the beginning of the year. The foreign exchange markets now

going bankrupt.
While much of Bethlehem

state as being part of the big city. Those shops would open from three to six in the after-

noon. And it was observed:

Belatedly, the army has learned the lesson. Instead of going round the closed shops every day, forcing them open – literally bashing heads against the strikers – the soldiers are now standing back and leaving

The extra spending is projected to rise progressively to DM10bn by 1992, increasing the likelihood of higher than expected increases in consumer taxes in 1989 and subsequent years.

THE LEX COLUMN

# Too much surplus for comfort

Any talk of post-crash volstility must sound odd these days to anyone trying to grub a living in the London market. The FT-SE's trading range yesterday was 9 points, and 3 points the day before. Volume has plumbed new lows, with fund managers evidently paralysed between high and low interest rates, rising and falling currencies and inflation versus recession. It cannot go on like this, but with the market having only shakily recovered the

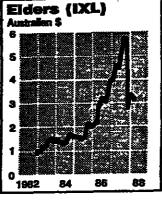
only shakily recovered the ground it lost in a single session ten days ago, the suspicion is that the next move must again

**PSBR** 

The gilt market's frosty reaction to the embarrassingly large PSBR surplus for January suggests it is making up the rules as it goes along. In its confidence that the next move in dence that the next move in interest rates will be up, it is simply re-interpreting any signs pointing the other way. The new wisdom is that a big PSRR surplus is bad for gilts because it may lead to swollen private sector borrowing. The market perversely appears to rank more highly the possibility that poor bank lending figures on Thursday could push up interest rates, than the certainty that Government will need to sell considerably less gilts this year than previously expected. Even if — as is debatable — the corporate sector did in fact bor-

than the \$3.5 in it tax cuts believed to be consistent with balance of payments discipline, and this would hurt sterling and mean higher interest rates. However, Mr Lawson presumably is well enough aware of the economic constraints on his budget sums not to change course as a result of one constraints on his budget sums not to change course as a result of one caused scarcely a ripple in its share price tag is far less than could serving scowmunity base. And the bank works hard to retain that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything the clearers are not. But its extraordinary profitable that loyalty - efficient, flexible and friendly, it is everything that loyalty - efficient, flexible and friendly, it is everything that end up projecting a budget and price tag is far less than could earnings growth registered by plus, after all, he could always have been expected six months the clearers on their domestic put a conservative gloss on his ago, it values Union at 1.3 operations in the first half happy effect that next year's

targets could be beaten without trying. Elders IXL



grand plan was to capture the heady valuations of a world-wide bull market by floating off significant stakes in the group's brewing, agribusiness and finance operations. October 19th put paid to all that, and the proposed sale of the BHP stake is the most visible sign of Elders' present intention of reducing its dependence on equity accounting the profits of a myriad of affiliates. The idea now is to reshape itself into a group reliant on the underlying

sector borrowing. The market perversely appears to rank move highly the possibility that poor bank lending figures on Thursday could push up interest rates, than the certainty that Government will need to sell considerably less gilts this year than previously expected. Even if — as is debatable — the corporate sector did in fact borrow from the bank in Jamuary to pay its tax bill, there is no obvious reason why this should be inflationary.

A second justification given for the market's refusal to celebrate appears equally thin. The Chancellor, it is argued, may be tempted on the basis of the PSBR figures to give away more than the £3.5bn in tax cuts believed to be consistent with

1986/87 earnings - a fair price, cent pre-tax profits rise looks given that Standard Chartered less stupendous. Even so, it has been looking like a forced must be true that the bank seller, and that the market for could turn in an even better medium-sized US regional performance if the larger banks banks has lost much of its froth which own it would let it leave

matic to repair its balance sheet ratios, and the Union Bank sale was the most obvious solution was the most obvious solution, even though it cut away one of the most important parts of the group's business. Together with the recent sale in Arizona, it adds a relatively meagre £77m to Standard's shareholders' funds, and the shrinkage of more than a fifth in Standard's group balance short is the main group balance sheet is the main reason for the 70 basis points improvement in the equity to

of Standard's continuing prob-lems that even after the sale of such a massive part of its business, its equity to asset ratio of the group has won a temporary breathing space, it still needs to raise significant extra capital. A rights issue is the most likely long-term solution, and could have the added advantage of diluting the interests of some of Standard's bigger shareholders, whose presence on the register adds to the uncertainty about the group's future.

#### Yorkshire Bank

strong community base. And the bank works hard to retain

which own it would let it leave the nest. Small chance of that, One of the biggest problems since the October crash. the nest Small chance of that, about following Elders IXL is It has been clear for some though: greed may be a strong that it keeps on changing months that Standard Charshape. Six months ago, the

Andrew Whitley reports on a Palestinian 'Day of Anger' in an Israeli-occupied city

# Wet, cold and silent in Bethlehem developed the ability to fine-tune their instructions: on one day all taxi drivers and bus companies were told to halt. So they did. On another, they let it be known that they were easing up on the pressure for a while-not for the sake of "the Jews", but for the merchants slowly going hankrunt.

silence yesterday. Watched by an army patrol with little to do themselves, a small knot of tourists who had made the short, 20 minute drive from the noisy suburbs of Jerusalem, their raincoat collars turned up against the cold drizzle, wan-dered bemusedly along the hill-top town's blind-walled alleys.

A few older children poked their heads out of doorways, only to be shooed back inside again by their mothers' scolding voices. Only those who had business being there, licit or otherwise, were out on the

The leaflets shoved under doors in the early hours of the morning, signed, as usual, by the Supreme Committee for the Palestinian Uprising, had said this would be "A Day of Anger." It would also be an all-out stoppage: no shops or businesses were to open – and definitely no going to work in

The enforcers were on the street. You could see them hanging around corners and in doorways in small numbers, their faces masked with the chequered Palestinian keffiyah (headscarf). A lone woman standing on the kerb was approached by one of them.
"Where are you going sister?
You are not thinking of going to work, are you?"

Strike-breakers have had their houses attacked with fire bombs in neighbouring, middle-class Beit Jala. Or so they say. Such incidents are almost impossible to confirm. Suffice, impossible to confirm. Suffice, the good people of Bethlehem believe it happened, and are not prepared to take any risks, even if after 10 weeks of "the intifadah" they are beginning to

weary.
So, although there was little So, although there was much of the promised anger in sight, all was silent as the grave yes-terday. The only food sellers allowed by the strike organizers to do business were the road-side bread carts.

How, an innocent asked, did everyone know exactly what they were supposed to do, or not to do? The distribution of leaflets has been erratic lately, following raids on a number of underground printing presses. And "Number Seven" of the series was in short supply. The Israeli Shin Bet security police have been making progress.

The explanation is not too difficult. Like the Iranian Revolution of 1978 and 1979 the



An Arab looks on as Israeli soldiers patrol the main street in Arab east Jerusalem yesterday during the commercial strike

RABIN TO ACT AGAINST SOLDIERS

Not that finding the station is as easy as it was, since Israel began jamming its transmissions last week. Back on the air again on Sunday, on a different frequency, it abruptly went off again yesterday lunchtime. Was

In a demonstration of the

now standing back and leaving them alone. General Ehud Barak, the army's Deputy Chief of Staff, admitted as much yesterday. "After some discussions we decided to stop it (the strike breaking) for the time being; leave the shopkeepers to decide for themselves when they are going to open," he said.

Where the army does act, albeit not very effectively, is to albeit not very effectively, is to try and help Arab strike-break-

Palestinian uprising of 1988 depends heavily on the radio and the telephone. The first many in Bethlehem heard about yesterday's strike call was on Radio El Quds (Radio Jerusalem), the clandestine station broadcasting from southern Syria, on Monday.

Not that finding the station is as easy as it was, since Israel this the Mossad, Israel's external secret service, being efficient, or just a technical fault? Then there are the anonymous telephone calls, which have instilled more alarm suprising than anything else. It is with a certain awe that the people of Bethlebegan jamming its transmissions lest week. Back on the air movements.

they have come to wield

ers get to work in Israel. Yes-terday, an Israeli bus was burned out in Hebron when it went to pick up its usual load of day labourers. And, in the Gaza Strip, thick carpets of nails were strewn across main roads against those who had the temerity to defy all other

threats.

With its largely Christian Palestinian population, Bethlehem has a somewhat unusual outhas a somewhat unusual outlook on the unrest, led as it is
by their Moslem kinfolk. On the
defensive in their own ageing
community, against the inroads
of militant Islam, the Christians
feel they cannot be seen to be
less than wholehearted in their
support for the cause.

Watching the nightly scenes
of tyre-burning and rock-throwing on Syrian television - pro-

or tyre-ourning and rock-throw-ing on Syrian television - pro-viding by far the best available coverage of the unrest - one six-year-old girl from a poor Christian family in Bethlehem asked her mother recently why she was not being allowed to

join in. After all, there was no school her father, a tailor, was not at work, there was nothing to do

#### **Britain** may open up satellite market

THE British Government is believed to be on the point of announcing a relaxation of the rules governing satellite communications in the UK.

This follows heavy pressure from the US to liberalise the was told it could open for three hours in the morning from nine to twelve; the district nearest to Jerusalem was categorised by these budding administrations of the form of t

Mr Phillip Spector, a lawver working for Pan American Satellite of Connecticut, a company which has been trying to break into the British market, said yesterday that he understood that there was a strong possipility of a loosening of the UK's

duopoly arrangements.

His remarks follow a recen meeting between Mr Bruce Smart, under secretary for international trade at the US Commerce Department, and Lord Young, the UK Secretary for Trade and Industry. Lord Young is due to make a statement today.

Under the present structure of telepartment in the control of the communication.

controlled by British Telecom and Mercury, the two licensed operators who run the links between earth stations and lannch the world's first inde a few weeks, has so far failed to reach an agreement with

of telecommunications in the UK, satellite transmission is

either British carrier to link it with UK customers. Indications of a breakthrough in the impasse came recently in a letter from Mr Clayton Yeutter, the US trade representative, to a US Congressman, outlining his efforts to persuade London to waive some aspects of the UK duopoly system.

Mr Yeutter said that under the present telecommunications legislation the British Govern-ment could classify PanAmSat's services." The Government could then allow direct transmissions to earth stations located on customer premises. UK lawyers for PanAmSat

confirmed last night that they were drafting an application for the US company to transmit specialised services - basically non-public telephone messages -to British customers. It was expected that this would be submitted within the next coment appears as a matter of record only.

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Svenska Handelsbanken PLC

visers to Eastbride Management Limited Richard Britten-Long & Co. Limited

# Mr Yitzhak Rabin, the Israeli Defence Minister, yesterday promised that soldiers who buried four Palestinians alive in the occupied West Bank would be treated "with all the rigour of the law." A top Israeli army officer also acknowledged that Israel was facing "a widespread, violent uprising...enjoying the support and co-operation of the masses." Maj Gen Ehnd Barak, deputy chief of staff, told a press conference that he did not believe events were largely organised from abroad, or that there was a small directing group. He did not expect the unrest, in which 53 Palestinians have already died. to end in the near future. have already died, to end in the near future.

captured British service-men, including six named

Mrs Thatcher stressed that the British Government had taken "the allega-tions concerning Mr Walincreased cross-party con-cern at Westminster over Mr Waldheim's record and

They also contrast with the previous desire of the ernment to stay out of

known the eventual fate of those whose cases he dealt

# World Weather

## Vranitzky to stay on as Chancellor

Continued from Page 1

tions concerning Mr Wal-dheim 'very seriously, particularly those concern-ing British servicemen." But she added that a thor-ough investigation of Brit-ish official records had found no evidence to substantiate the allegations, though the Government remained ready to examine

all new information.

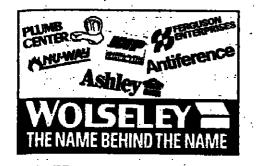
Both the tone and timing of Mrs Thatcher's answer are significant considering

it was confirmed yester-day that some of the rele-vant official files had been destroyed under the under the 30-year rule for the

release of official papers.

The earlier inquiry failed to establish that Mr Waldheim interviewed the six soldiers after they were captured during a raid on a The commission found the

initial "W" on transcripts of interviews with the com-mandos, and suggested that Mr Waldheim must have



A harden

Fish to Bank

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# SECTION II - COMPANIES AND MARKETS

## FINANCIALTIMES

Wednesday February 17 1988



## Elders plans to cut debt with £1.2bn UK pub deal

BY LISA WOOD, PAUL CHEESERIGHT AND CHRIS SHERWELL IN LONDON

ter's lager, is planning to put its up Courage's estate of pubs produced figures showing 5,000 Courage public houses in into a separate £1bn company strong earnings growth during the UK, which are valued at and float about half of it on the a period which spanned the £1.2bn (\$2.1bn), into a joint London stock market, produc- stock market collapse last Octo-

The move would be a radical break with established practices among British brewers

Which was planning restructuring plan. who have not sought to capitalise on the asset value of their properties on this scale before.

Mr Andrew Cummins, Elders' director of strategy, yesterday declined to name the property company or how much debt the ioint venture would remove from Elders' balance sheet. Industry suggestions were that an Australian property com-pany could be the partner.

venture with a property coming a cash injection for Elders ber, pany.

The flotation and the restructure – intended to increase the group's market value – was abandoned after the stock market crash last October. Market conditions hid divisions among Elders' advisers about the value and leaseback. Under the proposition of the public conditions and leaseback. Under the proposition of the public conditions and leaseback.

per cent jump in net profits to A\$272.1m for its first half to December.

Ahead of the news, shares in Elders rose 2 cents in Sydney to A\$3.02, up 10 cents this week.

ELDERS IXL, the Australian This latest proposal follows It was among a batch of lead-group best known for its Fos- Elders' abortive plan to wrap ing Australian companies which

Elders was at pains yesterday to stress its own strong balance sheet and solid businesses. It said that despite the crash the

ation of the pubs.

Elders, which also has finance and agribusiness interests, yesterday reported an 83 public houses.

acquisition would bolster its consumer products group.

After the disposal, Playtex Holdings, formed in the leverage buyout, will concentrate on its apparel operations which includes bras, girdles and pant-ies and on its Jhirmack hair

shampoos and conditioners. The apparel business had worldwide sales and operating profits last year of about \$300m and \$45m, respectively, the company said.
Mr Joel Smilow, Playtex

J&J buys

**Playtex** 

assets in

By Roderick Oram in New York

JOHNSON & JOHNSON, a lead-

buyout 14 months ago.
The Family Products division

it will buy makes Playtex tam-pons, gloves and disposable nursers and Tek toothbrushes. Johnson & Johnson said the

Holdings' chief executive, said both divisions had been profitable during the company's first year. Overall, earnings were "20 per cent in excess" of expectations

There was absolutely no pressure to sell the Family Products division and the idea for the transaction came from Johnson & Johnson." Mr Smilow and his colleagues bought Playtex for \$1.25bn in Decem-ber 1986. It had been part of Beatrice, the huge Chicago food and household wares group which had itself been taken pri-vate shortly before.

Simultaneous with its own buyout, Playtex sold for \$350m its cosmetics and fragrances operations to Revion, the US cosmetics company owned by Mr Ronald Perelman, the corporate raider.

Mr Smilow and his colleagues financed the net buyout price of Playtex of \$900m with \$740m of debt. The debt load had been subsequently cut to \$630m and could be paid off entirely with the

US CLONE MAKER CLAIMS PROGRAM WILL MIMIC PS/2 PERSONAL COMPUTER Compaq challenges IBM lead

\$726m deal COMPAQ COMPUTER, the leading US maker of IBM-compatible personal computers, will be personal computers, will today mount a new challenge to IBM's latest Personal System/2 personal computers with the ing US maker of health care products, has agreed to pay \$726m for most of the assets of Playtex, the personal products and women's underwear group taken private in a leveraged

Unlike IBM's earlier personal tasks concurrently and greatly increases the storage space allocated to application programs, thus making more complicated programs feasible.

I using standard components, the PS/2 line launched last April incorporates proprietary IBM technology, which at first seemed to present a problem to Compaq and hundreds of makers of IBM. makers of IBM-compatible per-

TANDEM COMPUTERS, the

US manufacturer of fault-

tolerant computers, yester-day announced it had

signed a merger agreement with Ungermann-Bass, an early leader in the field of computer networks, writes

Our San Francisco Corre-

Tandem will buy Unger-mann-Bass for about \$260m,

or \$12.50 per share, and the

networking company will become a wholly-owned sub-

sidiary of Tandem.

spondent.

sonal computers.

In addition, IBM adopted a applications programs designed new operating system – the to work with the new operating

Ungermann-Bass' share

orice rose sharply on news of the acquisition from Fri-day's closing price of \$8% to \$12% in yesterday's trad-ing. Tandem's share price,

which fell heavily last month on news of lower

than anticipated sales,

ers were linking their

program that controls the inner

system will perform faster on ways to emulate IBM's proprisystem will perform faster on its "industry standard" comput-ers than on IBM's PS/2 machines. Standard bench-marks of computer perfor-mance give the Compaq com-puters a 17 to 62 per cent advantage over equivalent IBM workings of the computer.
The OS/2, created by Microsoft, the largest US personal computer software company, allows high-power personal personal computers, Compaq

Says.
Compaq's announcement undermines many of the performance advantages that IBM has claimed for its PS/2 product

works. "Ungermann-Bass offers a wide range of com-munications products that

important in the banking,

complement ours."

etary technology. Compaq has taken its own route to higher performance. This can be done, the company appears to have proved, without sacrificing compatibility.

could have major ramifications throughout the personal com-puter industry. Other makers of IBM compatible computers may claimed for its PS/2 product
line. Compaq also appears to
have disproved the widely held
theory that it is necessary to
"clone" IBM's proprietary
"Microchannel" architecture to
merch PS/2 performance.

"march PS/2 performance. Unlike most clone makers, who have been trying to find analysts.

## O & Y seeks higher Santa Fe stake

OLYMPIA & YORK Developments, the Canadian property and resources group controlled by the Reichmann family of Toronto, is seeking almost to double its stake in Chicago-based Santa Fo Southern Region.

double its stake in Chicagobased Santa Fe Southern Pacific 
by means of a US\$245m tender 
offer.

The company is offering 
\$17.50 each for up to 14m 
shares in the US railway, 
energy and property group. 
This would make it Santa Fe's 
largest shareholder, raising its 
stake to 19.9 per cent from 10.5 
below Santa Fe's current share of \$45%, it is contingent 
on payment — due to be made 
of the dividend windfall, 
yesterday — by the US company 
of a previously-announced 
\$4.7bn special dividend as part 
of a large-scale restructuring. 
After the payout, the Santa Fe's restructuring plan in 
callifornia-based Henley, by 
contrast, opposes the plan and 
is attempting to unseat board 
tion of the dividend from the 
current share value would give 
one \$360m in cash as its share 
of the dividend windfall, 
recently agreed to support 
callifornia-based Henley, by 
contrast, opposes the plan and 
is attempting to unseat board 
tion of the dividend as part 
callifornia-based Henley, by 
contrast, opposes the plan and 
is attempting to unseat board 
incumbents by soliciting proxy 
votes for its own nominees.

## Bear Stearns to expand despite crash

BEAR STEARNS, the large Wall environment on Wall Street, number to increase materially Street brokerage firm, made net profits of \$36.8m or 40 cents a ning to expand its operations. profits of \$36.8m or 40 cents a share in the three months to Mr Alan Greenoerg, characteristic in the three months to Mr Alan Greenoerg, characteristic and the man, said he had "never been more optimistic about the firm." decline of 38 per cent on the more optimistic same quarter a year earlier, future of the firm, when Bear Stearns made The company wa

when Bear Stearns made 59.6m or 70 cents.

Despite the difficult business

The company was employing about the same number as it did on October 1. He expected "the

Bear Stearns made a pre-tax loss of \$4.8m, after suffering \$96m in losses from its arbitrage and options business during the crash.

In the previous quarter, which included Black Monday,

#### The move was applauded by industry analysts who said that the acquisition of Ungermann-Bass' network-ing expertise and products would boost Tandem's abilremained steady yesterday at around \$18%. Mr James G. Treybig, Tan-dem's president and chief ity to address the trend toward enterprise-wide and local networking which is executive, said a growing number of Tandem custombecoming increasingly

Tandem buys network maker for \$260m

Campeau raises Federated bid BY DAVID OWEN IN TORONTO

CAMPEAU, the Canadian property group, yesterday raised its offer for Federated Department Stores of the US to \$66 a share or \$5.9bn, after talks with the Cincinnati-based retailing

chain's representatives.

The Toronto property and retailing group had previously

peau said. obtained through bank financ Federated had previously ing.

Bank of Montreal, Security

Bank of Montreal, Security insisted on "satisfactory evidence of financing commit-Pacific National Bank and Olympia & York Developments

ments" as a pre-condition for considering Campeau's \$61 bid. ments" as a pre-condition for Olympia & York Developments considering Campeau's \$61 bid.

This was produced last week when the company, controlled by Mr Robert Campeau wrote to Mr Howard Goldfeder, Federated chairman, detailing financing commitments.

Yesterday Campeau said that, if Federated shares were not accepted for payment by April 18, the offer would be increased through the payment of interest at 7 pers entry of \$65. proposed making a merger offer at \$61 a share or \$5.5bn.

The latest offer, together with a form of merger agreement, was to be presented for consideration at Federated's board meeting yesterday, Cam-

of interest at 7 per cent on \$66 from that date to the date the shares are accepted for pay-

Tandem and Ungermann-Bass have worked closely together on several signifi-

airline, telecommunications

and other industries that

cant projects in the past, Mr Treybig said. The success of these makes us con-fident that the merger will benefit us both."
Tandem had 1987 sales of

more than \$1bn, while Ungermann-Bass reported sales of \$143m for last year.

#### Small increase at Coca-Cola

By James Buchan in New York

COCA-COLA, the world's largest soft drinks company, reported only a 7 per cent increase in fourth-quarter net income from operations to \$193m or 52 cents a share.

A 6 per cent rise in soft

drinks volume and a boost to overseas profits from a weaker dollar were hit by a drop in profits from fruit juice and

Film-making.
Earnings from operations for 1987 rose 17 per cent to \$916m



This announcement appears as a matter of record only.

proceeds of the disposal.

**DEERE & COMPANY** JOHN DEERE Credit Company JOHN DEERE S.A., France

US\$ 300,000,000 (US\$ 400,000,000 after 2nd year) (US\$ 500,000,000 after 4th year)

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Continental Illinois National Bank and Trust Company of Chicago

Manufacturers Hanover **Trust Company** 

Crédit Commercial de France

Crédit Lyonnais

General Agent Deutsche Bank Luxembourg S.A.

U.S. \$250,000,000

Canadian Imperial Bank of Commerce

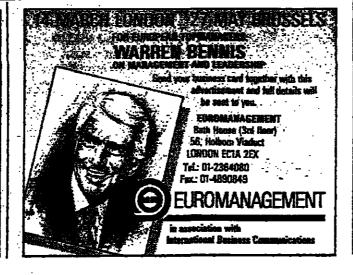
(A Canadian Chartered Bank) Floating Rate Subordinated Capital Debentures due 2085

Notice is hereby given that for the six months interest period from February 17, 1988 to August 17, 1988 the Debentures will carry an interest rate of 61% per arrum. The interest payable on the relevant interest payment date, August 17, 1988 against Coupon No. 4 will be U.S. \$350.73 and U.S. \$3;507.30 respectively for Debentures in denominations of U.S. \$10,000 and U.S. \$100,000.

By: The Chase Menhattan Bank, N.A. London, Agent Bank

February 17, 1988





This announcement appears as a matter of record only.

**NEW ISSUE** 

January 1988

U.S.\$100,000,000

Portfolio A 3,000,000 Class A Shares Portfolio B 7,000,000 Class B Shares

#### ASIAN DEVELOPMENT EQUITY FUND

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Crédit Lyonnais **James Capel Pacific Limited** Merrill Lynch Capital Markets

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(Portfolio A)

(Portfolio B)

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Management, Inc.

Morgan Grenfell (Jersey) Limited

Information for Siemens shareholders

# International business expands

During the first quarter of the current financial year (1 October to 31 December 1987), Siemens achieved a further marked increased in international orders financial year. and sales. However, business volume in

Germany was affected by the slowdown in the economy. The net profit margin of 2.5% matched the average over the past

#### **New orders**

During the period under review, Siemens i.e. Siemens AG and its consolidated domestic and foreign companies recorded new orders worth £4,544m, equalling last year's levels. The 10% drop in German domestic orders was largely the result of including a major contract for a district heating plant in the first quarter of last year. Without this significant contract, domestic orders were only slightly down on last year's first-quarter figures. This marginal reduction was also influenced by a weaker German economy and intensified

price competition. Despite the lower dollar, however, Siemens attracted 8 % more orders abroad. After allowing for the effect of translating U.S. dollars into DM, the growth in international orders was several percentage points higher.

ia Em	1/10/86 to 31/12/86	1/10/87 to 31/12/87	Change
New criters	4,560	4,544	0%
Domestic business	2,116	1,912	-10%
International business	2,444	2,632	+ 8%

#### Sales

Siemens worldwide sales increased 4% to £3,791m. Here, as with orders, sales were stronger abroad (+6%) than in Germany (+3%).

in £m	1/10/86 to 31/12/86	1/10/87 to 31/12/87	Change
Sales.	3,628	3,791	+ 4%
Domestic business	1,756	1,802	+ 3%
International business	1,872	1,989	+ 6%

#### **Orders** in hand

Because new orders were much higher than total sales, orders in hand rose by 2% to £17,939m.

ø £m	30/9/87	31/12/87	Change
Orders in hand	17,586	17,939	+ 2%
Inventories	7,884	8,144	+ 3%

30/9/87 31/12/87 Change

#### **Employees**

The number of employees in Germany and West Berlin was slightly reduced, while employees abroad marginally increased due to the inclusion of those working in recently acquired companies. At the end of December 1987, Siemens employed a total of 358,000 people worldwide (excluding trainees and student workers). Employment costs rose by 1 %.

			1
Employees	359	358	0%
Domestic operations	229	227	- 1%
International operations	130	131	+ 1%
<del></del>	1/10/86 to 31/12/86	1/10/87 to 31/12/87	Change
Average number of employees in thousands	360	359	0%
Employment costs in £m	1.890	1,913	+ 1%

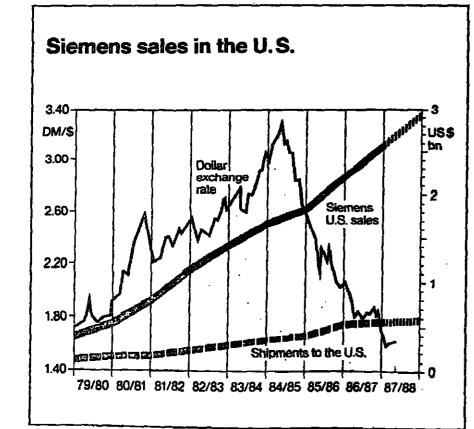
#### Capital spending and net income

Capital expenditure and investment for the first three months of the current financial year reached £226m. This decline (-37%) was largely due to the steep fall in acquisitions of companies abroad. Expenditure on tangible assets was also down compared with the same period last year when there was an accumulation of additional fixed asset items. Net income after taxes dropped 4% to £96m. The net profit margin was down

from 2.8% to 2.5% - the same as for the 1985/86 financial year.

in £rp	1/10/86 to 31/12/86	1/10/87 to 31/12/87	Change
Capital expenditure and investment	340	226	-37%
Net income after taxes	100	96	- 4%
in % of sales	2.8	2.5	

All amounts translated at Frankfurt middle rate on 31/12/1987: £1 = DM 2.960.



#### Expansion of U.S. business

Since the early 1980s, Siemens has strengthened its position in the USA, the world's largest electrical and electronics market U.S. sales have doubled within the last four years. From the very start the aim was to establish a firm foothold in the country by setting up local development and production facilities. With 47 manufacturing plants and over 300 sales and service locations, Siemens is represented in almost every state in the country, There are already 27,000 employees on the payrolls of Siemens U.S. companies. The local value added content now accounts for approximately 80% of total U.S. sales of around \$3 billion. On the other hand, 20% of the goods produced in Siemens U.S. factories are exported. This strategy serves both the American economy and the company: it does not strain the U.S. trade balance, and it ensures that Siemens is highly resistant to any changes in the dollar exchange rate.

## Siemens AG

In Great Britain: Siemens Ltd. Siemens House, Windmill Road. Sunbury-on-Thames, Middlesex, TW16 7HS

## Telefonica links up with Italian telecom group

BY JOHN WYLES IN MILAN

TELETTRA, THE Fist group's hands. and Telefonica, the Spanish national telephone company, have agreed to join forces through an exchange of shareholdings aimed at strengthening their presence in the European

The move will give Telettra a controlling 90 per cent stake in its Spanish joint venture with Telefonica, Telettra Espanola, in which it holds 49 per cent. Telefonica will take a 10 per cent stake in Telettra of Italy, which could rise to 14 per cent in three years if, as envisaged, the Fiat subsidiary takes full control of its Spanish name-

The move marks Telettra's first international partnership initiative since Fiat withdrew from the projected joint ven-ture with Italtel, the Italian state-owned telecommunicstions equipment manufacturer. The proposed new company, Telit, was to have been the vehicle for Italian participation in the wider restructuring pro-

cess now taking place among

European telecommunications manufacturers.
Italtel is still discussing possible joint ventures with several European companies while Flat said that the agreement with over of L210bn last year.

Telefonica was part of Telettra's "streets for generalization."

munity barriers in 1992."
In Telefonica, which is 30 percent state-owned, Telettra has a partner ranking ninth in the world league of telephone companies with an annual turnover of Pta560bn (\$4.85bn) and 10m enhone lines in service.

Telettra's turnover last year Telettra's furnover last year reached L660bn (\$525m), putting it eighth among world manufacturers of transmissions and radio bridging equipment. Its Spanish namesake was set up as a joint venture in 1971 and now has 2,000 employees in the state of the second set up.

sake.

The shareholdings to be its position on the European ish company develops its own exchanged will be of equal walue - no cash will change removal of all European Com-

#### Framatome bids for Télémécanique

FRAMATOME, the French and the French nuclear energy nuclear power plant builder, has launched its long-expected counterbid for Télémécanique, trol of more than 9 per cent of the industrial automation company which is under attack from the Schneider group.

The state of French and the French nuclear energy authority with 35 per cent, has already acquired indirect control of the holding company. Cofitel also holds warrants which could give it control of 17 per

share, 6.4 per cent higher than Schneider's offer, values Télé-mécanique at FFr6.5bn (\$1.14bn) and has the support

from the Schneider group.

The new bid, of FFr4,150 a could give it control of 17 per share, 6.4 per cent higher than Schneider's offer, values Télé
Schneider's offer, values Télé
Mr Didier Pineau-Valenci
Theirman of Schneider,

ennes, chairman of Schneider, has announced that he plans of its board.

legal action to block the holding
Framatome, which is con- of Cofitel. His own group has trolled by Compagnie Générale announced that it has acquired d'Electricité with 40 per cent 12 per cent of Télémécanique

The decline of orders for new nuclear power plants hasways of diversifying. The group made profits of about FFF900m last year and has accumulated cash resources of nearly FFr7bn, but expects to see profits beginning to decline from 1990 or 1991.

Framatome has already bought a stake in Souriau, the French electrical equipment manufacturer, and had begun talks with Télémécanique before the Schneider bid.

#### GO to take 20% stake in CEP

BY PAUL BETTS IN PARIS

GENERALE OCCIDENTALE and Bordas subsidiaries, as well (GO), the diversified French company controlled by Compagnie Générale d'Electricité de la Cite and Plon and several properties le la Cite and Plon and several properties la Cite and Plon and several properties le la Cite and Plon and several properties la Cite and Plon and several propertie (CGE), is to acquire a 20 per cent stake in CEP Communication, a fast-growing publishing concern, for about FFr600m (\$60m) as part of a wider deal to create the second largest book publishing group in France after Hachette.

The new venture, called Groupe de la Cite, will combine the book publishing assets of GO and of CEP. It will have sales of about FFr5bn and employ more than 6,000 staff. GO and CEP will jointly control bolding company which is a holding company, which in turn will control 70 per cent of the group. The balance of the shares will be held by the pub-dic, with Groupe de la Cite listed on the Paris bourse,

The venture will merge the reference and educational book divisions of the two groups, CGE. But Mr Christian Bregou, including the Larousse, Nathan, chairman of CEP and the archi-

stage include magazine interests. GO controls the weekly news magazine, L'Express, while CEP is a leading pub-lisher of technical and business

GO will acquire a stake of 20 per cent in CEP through a CEP capital increase. The stake will eventually rise to about 23 per cent, making GO the second largest shareholder in CEP after Havas, the media and advertising group, whose stake in CEP is to be diluted from 38.5 per cent to 35 per cent.

The holding company, which will control Groupe de la Cite, will be presided over by Mr Ambroise Roux, the chairman of GO and a former chairman of tect of the publishing group's rapid expansion during the last 12 years, will have management control.

emphasised their common strategy to create a new force in French publishing with the necessary scale to compete in the international market. Mr Roux became chairman of GO last year following CGE's acquisition of Sir James Coldenith's tion of Sir James Goldsmith's controlling stake in the com-pany for FFr1.5bn.

Mr Roux claimed, however,

that he had no ambition to expand GO's interests in the general newspaper business, although he had no intention of

although he had no intention of shedding L'Express.

But the resignation of Mr Bruno Rohmer, the chief executive of Presses de la Cite and L'Express, added a sour note to the friendly merger. Mr Rohmer had been brought in by GO about six months ago and had previously managed Nathan and Larousse at CEP.

## Nokia plugs into electronics

en called the "turbo executive" for years, but only in the past six months has Mr Kari Kairamo, the chief executive of Nokia, shown his true

Since August 1987, Finland's largest stock market listed industrial company has grown by 60 per cent after three big acquisitions in Europe. The group, traditionally referred to by analysts as "diversified," is now distinctly "electronic."

Nokia's net sales will top FM22bn (\$5.5bn) this year. About two-thirds will come from consumer electronics, tele-communications and information systems. The rest is divided between cables, cable machinery, paper, power, chemicals, rubber and flooring busi-

Nokia's rapid growth has taken it deep into the European market. So much so that its data systems headquarters was recently moved to Stockholm consumer electronics are soon likely to be run from West Germany; while the top management of the cable machinery division, as well as the foreign financing subsidiary, have been moved to Switzerland. Half the group's 44,200 employees are now based outside Finland.

Mr Kairamo's most recent shopping spree began with the acquisition of Oceanic, a French television manufacturer, in August 1987. Four months later, in December 1987, Nokia bought the consumer electronics division of Standard Elektrik Lorenz of West Germany. Given that Nokia only entered the television business in February 1984, when it bought Luxor of Sweden and Finland's Salora, its rise to third place in Europe behind Philips and Thomson, with sales of \$1.9bn and production

standard.

The third big acquisition the purchase of 80 per cent of the data systems division of Ericsson of Sweden - gave a significant boost to Nokia Infor-mation Systems, a division of the group which had previously failed to establish a solid foot-hold abroad. The division will

Nokia yesterday reported a 75 per cent increase in profit before tax and minor-ity interests to FM1.22bn (\$298m) for 1987 following a strong advance by the electronics division. Net sales topped FM14bn, a rise of 17 per cent. Profits from electronics

practically doubled to FM670m helped by strong sequisition growth. Electronics accounted for 65 per cent of total Nokia turnover

have sales of \$1.2bn in the Nordic area as well as in Britain and Central Europe.

Nokia paid FM1.05bn for the Ericsson division. The SEL deal was estimated to cost a similar sum while the acquisition of Oceanic was worth somewhat

Nokia's total investments in 1987, according to Mr Kairamo, totalled FM3.2bn, including FM800m in research and development and training and marketing. The corresponding fig-ures for 1988 will be about FM4bn and FM1bn.

In another strategic move late last year, Nokia joined forces

with AEG and Alcate) to form a consortium for creating a pan-European cellular mobile telephone system. Nokia regards this sector as potentially one of its most exciting growth areas. As Mr Kairamo explains it, Nokia's strategy dates back to the early 1970s, when the oil crisis hit the Finnish company hard. "We had too many business sectors, and we were in danger of suffocating as our

resources were thinly spread."

Now Nokia has two clear aims: to spread international coverage and concentrate on growth sectors. The current emphasis on large acquisitions is only coincidental, says Mr Kairamo. Nokia is constantly looking for new targets, and accordingly he claims that the three deals just happened to mature around the same time.

Mr Jorma Ollila, Nokia's

finance director, concedes that the acquisitions initially will lower group returns on invest-ment. Still, Mr Ollila regards Nokia's financial position as sound. At the close of 1987. group cash reserves were "very close" to FM3bn at a time when the Oceanic deal had been financed, but with payment for the SEL and Ericsson deals still

Since then, Nokia's shareholders have approved a combined rights and bonus issue
which will raise FM800m. The
group is also launching a
DM250m (\$147m) bond issue,
the proceeds of which are to be
used for the long-term financing needs of the SEL unit, now
renamed Nokia-Graetz.

ing needs of the SEL unit, now renamed Nokia-Graetz.
Mr Ollila points out that Nokia is also in the middle of a divestment programme. It has disposed of several subsidiaries and has cald a licely and process. iaries, and has sold a minority holding in a Finnish pulp mill for FM300m.

First Union Corporation U.S. \$150,000,000 Floating Rate Notes due 1996 The rate of interest per annum

on First Union Corporation's U.S. \$150,000,000 Floating Rate Notes due 1996 for the interest period beginning loth February, 1988 and ending 16th May, 1988 the next interest payment date, will be 61/4. The amount of interest payable for such interest period on each \$10,000 principal amount of the Notes will be \$168.75.

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February 17, 1988, London By: Cilbank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

## Elders' net earnings climb 83%

ELDERS IXI., the Australian brewing, agribusiness and finance group, said yesterday it expected good full-year results after reporting an 83 per cent surge in net earnings and a 61 per cent rise in revenues for the six months to December.

The group's interim figures

The group's interim figures showed a rise in net earnings to A\$272.1m (US\$193.7m) from A\$148.7m in the same period of 1986. Sales increased to

At the pre-tax level, Elders' profits showed an even more dramatic 114 per cent increase, to A\$322.8m. The higher tax

Leading Australian companies which produced their latest results yesterday showed strong growth, with little evidence of troubles arising from last October's stock market collapse. This is in sharp contrast to the heavy losses reported on Monday by Mr Robert Holmes à Court's Bell companies. CHRIS SHERWELL reports from Sydney

uncertain outlook. In agribusiness it was expecting the best outlook in years for beef and wool, its main prod-

The company declared a onefor-four bonus issue and fore-shadowed an interim dividend of 9.5 cents (unfranked for tax

tucts, and an improved outlook for grain.

The brewing division would complete a "useful" year with tital.

In an accompanying statement, the directors said Elders was well-positioned for a good

It said the improvement,

from 11 toea.
•Placer Pacific, the Canadi-

full-year contributions from Courage in the UK and Carling O'Keefe in Canada. There would be a solid performance from Carlton United Brewing in Australia.

The group said the finance group had increased its provisions to cover all potential exposures in the wake of the stock market collapse. Elders Investments, the Hong

Kong investment arm, had suf-fered some book losses but had

maintained a strong cash posl-

The market value of Elders IXL's share portfolio exceeded book value by a margin of A\$243m.

#### Mid-term surge for **Bond group**

which produces copper and gold in Papua New Guinea, more than doubled net profits last year to 93.6m kina (US\$103.4m) from 45.3m kina, Our Financial Staff adds. BOND CORPORATION, the brewing, media and property group controlled by Mr Alan Bond, the Perth businessman, yesterday reported net profits of A\$109.2m (US\$77.7m) for the six months to December, more than double the A\$52.6m for the same period in 1986.

which came on revenue of 415.4m kina compared with 342.7m kina, "is attributed to the high metal prices that pre-vailed in the latter half of the Sales were up 46 per cent to A\$1.58bn, while other income, at A\$89m, was down from A\$126m. The net profit figure included a tax credit of year." Bougainville, 53.6 per cent owned by CRA of Austra-lia, boosted its total dividend for 1987 to 23 toes per share A\$15.3m, against a tax expense the previous year of almost A\$10m.

an-controlled operator of the Kidston gold mine in Queen-sland, lifted net profits 5.4 per cent to A\$45.04m last year compared with A\$42.73m, in spite of a decrease in turnover to A\$142.3m from A\$149.1m. The Bond figures did not equity account the earnings of equity account the earnings or associates, notably those in Hong Kong, which will not release results until next month. But they included two months' contribution from G. Heileman Brewing in the US, now a subsidiary. The result was aided by an increase in other income to A\$12.2m from A\$3.4m and a reduced interest bill at A\$3.9m against A\$10m. No dividend

The profit figure was reported to have included a full provision for a A\$7.2m loss on listed investments. ◆Central Norseman Gold showed an earnings setback in

its latest 28-week accounting period to January 12, with net profits down 41 per cent to A\$7.43m from A\$12.62m. Sales A company statement also said shareholders should not regard the income tax credit as indicative of the tax rate anticidipped to A\$34.2m from A\$37.8m. The interim dividend pated for the full year. The group estimated an interim dividend of 6 cents,

#### Western Mining income soars \*Bougainville Copper,

A SPECTACULAR increase in interim profits was reported yesterday by Western Mining Corporation, the large Australian gold and nickel mining group, and shareholders reaped some of the benefits.

It is not a total of A\$30.7m was written off or provided for in exploration expenditures, compared with only A\$11.5m in 1986.

The main contribution to the increased profit of A\$44.3m from associated companies from A\$44.4m from associated companies

Figures for the six months to December showed group operating profits had risen fourteenfold to A\$98m (US\$69.7m). December showed group operating profits had risen fourteen and to A\$98m (US\$69.7m).

Improved earnings at associated companies lifted equity-accounted profits almost six times to A\$142.3m.

Even after abnormal and wittreerflyings items, western Mining said it made a profit of A\$150m on its sale of shares in Kalgoorlie of Salgoorlie, now both part of Mr. Alan Bond's gold empire. Improved earnings at associated companies lifted equity-accounted profits almost six times to A\$142.3m.

Even after abnormal and extraordinary items, the profit figure was A\$83m, compared with A\$20m in the same period of 1986. Revenues were up 34.5 per cent to A\$428.7m.

The company announced a proportionately increased interim dividend of 10 cents, which compares with 2.46 cents in the previous period after adjusting for a bonus issue.

The previous period after adjusting for a bonus issue.

Western Mining said sales of gold had risen 29 per cent to almost 231,650 oz, compared with 179,770 oz. Prices obtained were up 7.8 per cent in Australian dollar terms, but

in Australian dollar terms, but operating costs per ounce of gold sold were up by a greater margin of 18.6 per cent.

Sales of nickel increased 24 per cent to 24,820 tonnes from 20,080 tonnes. Average prices were 22 per cent higher in Australian dollar terms (36 per cent in US dollar terms), while operating costs per tonne sold operating costs per tonne sold

from associated companies came from Alcoa, the aluminium producer.

But it also wrote off A\$138.5m in goodwill when Hill 50 Gold Mine became a subsid-iary. The inclusion of Hill 50

production, together with higher levels of production at other mines, lies behind the increase in Western Mining gold The company said the outlook

was favourable for gold, nickel and aluminium. But it added the second-half result would depend on unpredictable movements in metal prices and

exchange rates.

Mr Hugh Morgan, managing director, told a press conference that the company had A\$600m cash reserves and was seeking acquisitions - suggest-ing that these might be abroad. "We are very large here in Australia. We want a balance. We want to gain a spread of interests without losing our capacity to respond to local is being cut to 2 cents a share opportunities," he said. This compared with an adjusted 3.75 followed the purchase of four cents.

## Strong UK operation helps boost TNT

has been declared.

profit from UK operations has increase in pre-tax operating helped TNT, the Australian-profit supported their view based international transport that the full-year figure would group, to report a 35.5 per cent be "well ahead" of the 1986-87 group, to report a 35.5 per cent increase in equity-accounted increase in equity-accounted earnings for the six months to

Figures released yesterday showed a group net operating profit of A\$102.2m (US\$72.7m) against A\$75.4m in the same period of 1986. Tax paid was A\$71.6m, compared with A\$98m

\$28m. Group revenues rose 14.7 per

In a geographical breakdown. they said UK operations had produced "an excellent profit, substantially up on the corresponding period last year."

Elsewhere in Europe, TNT Traco, the Italian express par-cels carrier which is now fullyowned, also saw a strong rise in profits, while TNT Ipec, which

Directors said the substantial have had a good half year.

acrease in pre-tax operating in North America, the other leading contributor to the improved earnings, Canadian operations saw a reduced return but oversil results "increased substantially."

TNT Brazil improved profitability but a weakening cur-rency cut after-tax returns by 28 per cent.

Japan, the results show no signs of it suffering from the October plunge in world stock markets. Like most Japanese

companies involved in zaitech

Toyota invests mainly in the money, bond and foreign

exchange markets, rather than

equities.
Profits on investments rose to

financial investments,

taxes. The newly-acquired East-West Airlines would be operating profitably by the end of the year.

Apart from Ansett, the equi-ty-accounted figures included contributions from McIlwraith McEacharn, Union Shipping Group and other joint ventures.

There were extraordinary

In Australasia, TNT said profits had increased strongly but so too had tax expenses. New Zealand continued to be "a very difficult place in which to operate."

There were extraordinary losses of A\$23m, which included costs associated with the disposal of TNT Pilot in the US. Last year's figure was a\$17.5m.

TNT's share of associated companies' revenue, they topped toms-cleared express freight delivery service, was said to perate.

3.75 cents is to be paid, bringing the total for the first half to 7.5 cents.

## Toyota ahead despite falling exports

TOYOTA MOTOR, Japan's largest car maker, yesterday reported its first increase in interim profits in two years, as the result of a sharp rise in domestic sales which more than offset a fall in exports.

The results reflect the compa-

The results reflect the company's success in countering the impact of the yen's rise by cutting costs and increasing sales of higher-cost models.

Pre-tax profits for the six months to December were 23.9 per cent up at Y223.7bn (\$1.72bn) on a 6.6 per cent rise in sales to Y3,225bn.

December 1987

Domestic sales rose 8.8 per cent to 955,000 vehicles, while exports fell 3.3 per cent to 874,000 units, mainly because of lower US sales.

For the year, Toyota fore-casts domestic sales rising 8.4 per cent to 1.94m units and exports falling 2.8 per cent to exports faming 2.8 per cent to 1.75m. The company cut foreign exchange losses from Y210bn to Y43bn by using forward foreign

exchange contracts and raising
US prices.
Although Toyota is the biggest industrial investor in

**RAUMA-REPOLA OY** 

has acquired

ATELIERS BERGEAUD-MACON, S.A.

NORDBERG (U.K.) Ltd.

comprising the European operating companies of Banner Industries' Rexnord unit in the rock crushing business.

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> > and assisted in negotiating and closing the transaction.

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#### Rustenburg chief resigns to join Gencor By Jim Jones in Johannesburg

MR BRIAN GILBERTSON. managing director of South Africa's Rustenburg Plati-Africa's kustenburg run-num, the world's largest platinum producer, has resigned and is to join the board of the Gencor mining

Profits on investments rose to Y56.75n, in spite of lower interest rates. Surplus funds at the company — sometimes dubbed-Toyota Bank — rose to Y1,659bn after an \$800m bond issue. His position on Rustenburg's board will be taken by Mr Barry Davison, the director in charge of the base metal interests of the Johannesburg Consolidated Investment (JCI) group which controls Rustenburg.

Gencor manages Impala Platinum, the country's sec-ond largest platinum mining Mr Gilbertson's resigna-

tion appears to form part of a general restructuring of the managements of South Africa's principal mining companies at a time when the mining industry, and particularly the platinum sector, is in a state of flux. Early last year, Mr Gordon Waddell resigned from the chairmanships of JCI and Rustenburg and left South Africa to return to

Keys was appointed some months later from outside the industry to the chairmasship of Geneor, South Africa's second largest min-ing house. He has since restructured the group and

Scparately, Mr Derek

During the past two years Rustenburg and Impala have seen their dominant position in the platinum market threatened by new

Three platinum mines are being established by other South African mining companies and two others are being planned. The creation of these new mines coincides with expansion moves by Rustenburg, Impala and Western Platinum, a Lourho

For many years Eusten-burg's policy has been to acquire mineral rights as a means of preventing competitors from entering the platinum business.

That strategy faltered in Lebown last year when the "homeland" government gave the company the option of developing its mineral rights or losing This announcement appears as a matter of record only.



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DnC ousts

directors

and plans

shake-up

tines for securities tramac-tions. The bank ram up losses of NKr800m (\$124m) onsecurities business last

year and as a result turned

year and as a result turned a 1986 profit of NKr327m into a net loss of NKr1.5bm.

Mr Arnkværn said that the bank's share portfollo would be reduced to NKr500m. It stood at NKr1.2bm in 1987. At the carte time families create the

same time foreign exchange business is to be reduced by

25 per cent and property investment is to be scaled down by NKr300m to

ited to large branches and service functions will be

established to assist branch offices and identify commit-

Cerus steps up

at an early stage.

pressure on

La Générale

By Tim Dickson in Brussels

MR CARLO De Benedetti, the Italian businessman,

applied new pressure on Société Générale de Belgi-

que yesterday. Ceras and Dumenii Lebié,

the two French companies through which he is seeking control of the Belgian

group, sought to impose new legal restrictions on three big sub-holdings in La Générale.

The move followed last week's decision by a Brus-sels commercial court to block the "poison pill"

sels commercial court to block the "poison pill" defence attempted by the board of La Générale against Mr De Benedetti. This was to have been a large issue of new shares which would have served to dilute the impact of his unwelcome bid. At the same time, Judge Jean-Louis Duplat ruled that La Générale should not for the moment make any asset sales above BFr190m (\$2.8m). Yesterday's development suggests that Cerus wants to extend this judgment to Gechem, Tractebel and CBR, three large holding companies controlled by La Générale and which, respectively, are responsible for co-ordinating and managing the group's chemicals, energy and cement manufacturing interacts.

and cement manufacturi

A statement said that Cerus' aim was to prevent the sale of assets and the

distribution of any shares

which were part of the authorised capital, but which had not yet been issued. The court said last

night that its decision would be announced tomor-

row evening.
The latest legal twist

came amid growing expecta-

tions in Brussels that, fol-lowing the ill-fated initia-

tive by Mr André Leysen, the Flemish businessman, a

fresh move to counter Mr De Benedetti may soon be made by French and Belgian

Shares of La Générale rose BFr130 yesterday to BFr4,860, which compares with the Cerus offer price of BFr4,000. Analysts said

the relatively low incrover confirmed that very few

shares were now left in

interests.

Jim Bodgener on modernisation plans for Turkey's oldest bank

# Wind of change at Ziraat Bankasi

BUREAUCRATIC obfuscation exudes from the grint, heavy, 1930s-style headquarters of Ziraat Banksis' (Agricultural Bank), next door to the Central Bank in Ankara's Unis precinct.

Traids one might avoid to rescue state-owned banks and companies has saddled it inside, one might expect to find cobwebbed corridors and lethargic clerks bent over massive ledgers.

However true that may have been in the past, Turkey's larg-est and oldest bank is probably about to experience a blast of rationalisation and modernisa-tion unequalled since its foun-dation in 1863.

Mr Coskun Ulusoy, 37, the bank's new general director, says: "Nothing is done according to the book. My view is that if you're doing banking, it should be clearly banking, paried."

on his appointment last month, Mr Ulusoy immediately haited all fresh credit, ordered investigations into loans of more than TL50m (\$45,000), and froze all staff appointments. He is one of the new breed of

young, US-trained specialists whom Mr Turgut Ozal, the Turkish Prime Minister, is rapidly appointing to replace the old bureaucratic hierarchy. Like many of the others, his pedigree comes from one of the best educations Turkey could offer, followed by an academic sojourn in the US, and

American bank or company – Citibank in Mr Ulusoy's case – before the call from on high. Mr Ulusoy was first appointed head of Halk Bankasi four months ago, where he immediately initiated far-reaching reforms. He has very definite views about the state bank-

SECURITIES REGULATORS from around the world yester-

from around the world yester-day reaffirmed their faith in the functioning of markets. At a meeting in Paris, a com-mittee representing 12 leading markets including the US. Japan, the UK, Canada and France, said it remained opti-

ing the crash - which it insisted on calling the October

well. The drop in prices was ings.

ing sector.
"It has to overhauled, reor-ganised and rejuvenated," he

and companies has saddled it with bad debts that have hampered its performance ever

It has also suffered from being an agricultural bank with many small credits outstanding to marginal farmers and othe rural borrowers, although Mr Ulusoy says he intends to focus on these more legitimate operations - the bank's original raison d'être.

Unlike some other state banks, Ziraat's core is basically sound, and its international cre-ditworthiness is good. A \$200m one-year export financing syn-dication closed successfully at the end of December - an exercise repeated every year but one since 1983.

Mr Ulusoy is determined one sized state banks with substanway or another to shed Ziraat's tial non-banking holdings, such legacy of bad debts. Of the as Etibank, Denizcilik Bankasi have started to trickle again and Sumerbank.

One option could be a tighter grip on new loans: total credits and Sumerbank one of Mr Ulusoy's first priorities is to establish an efficient information system, made by state banks in the faces an uphill task, one which appears to have been overpowering at Anadolu Bankasi for another of the new breed, Mr Bulent Semiler, 32.

His forceful proposals for merging state banks and hiving off

serious but the markets proved

that they could work effi-

ences in different countries, to

analyse the dangers which

The report will be completed

**Optimism over markets** 

mistic over the performance of became apparent during Octo-the world's stock markets dur-ing the crash - which it measures that need to be taken.

market break."

Mr Paul Gry, secretary general of the committee and chairman of the Quebec Securities
Commission, said: "We felt that casing the way for multinamerical markets performed very the sain of the committee is also undertaking a programme aimed at taking a programme aimed at the casing the way for multinamerical markets."

**PEARSON** 

Pearson plc

NOTICE

of the Company (the "Bonds") of the EARLY REDEMPTION ON 10 MARCH 1988

of all the Boads of the Company Conversion Right Expiry Date: 2 March 1988 Redemption Date: 10 March 1988

NOTICE IS HEREBY GIVEN to the holders of the Bonds (the "Bondholders") that, pursuant to and in accordance with the Terms and Conditions endorsed on the Bonds (the "Conditions"), the Company will on 10 March 1988 (the receivable on the Bonds of the Bonds then outstanding and not previously converted into Ordinary Shares of 25p each of the Company. The Bonds will be redeemed at a price equal to 105 per cum, of their principal amount together with interest amounting to U.S.\$47.28 per U.S.\$1,000 of the Bonds accrued to the redemption date.

interest amounting to U.S.547.26 per U.S.51.000 of the Bonds accrued to the redemption dute.

Bondholders have the option to convert each U.S.51.000 principal amount of the Bonds into 132 Ordinary Shares of 25p each of the Company, credited as fully paid, at a conversion price of 500 pence per Ordinary Share. As provided in the Conditions, any Bondholder who wishes to exercise his right to convert must complete, sign and lodge a Notice of Conversion together with the Bonds and all animatured Coupens, except as provided for in the Conditions, with either the Principal Paying and Conversion Agents, as set out below, at any time up to the close of business on 2 March 1988 when the conversion rights nuching to the Bonds will terminate. On redemption, payments of principal and accrued interest will be made in accordance with the Conditions of the Bonds against surrender of the Bonds and Coupons at the specified office of any of the Paying Agents fised below. Each Bond should be presented for redemption together with all unmatured Coupons appertaining thereto, failing which the amount of any sach massing unmatured Coupons will be deducted from the sum due for payment on the redemption date. The attention of Bondholders is drawn to the Conditions and, in particular, to the Conditions which contain further details regarding redemption and convertion.

The attestion of Bondhotters is urawn to the Conditions which contain further details regarding redemption and conversion. Bondholders should consider the market price of the Ordinary Shares and the prevailing furning exchange rate when decading whether to convert their Bonds prior to the nedemption date. On 21 January 1988, the middle market quotation of the Ordinary Shares of the Company, as derived from The Stock Exchange Daily Official List, was 723 pence per share.

PRINCIPAL PAYING AND CONVERSION AGENT
Bankers Trust Company
Deshwood House
69 Old Broad Street
London EC2P ZEE

PAYING AND CONVERSION AGENTS

This Notice was first published on 25 January 1989.

Notice of Final Payment

SANDVIK AKTIEBOLAG

64% Convertible Bonds 1977/88

Due 15th March 1988

Notice is hereby given to the bond holders of the above mentioned issue that the Bonds will be payable on March 15th 1988 at US\$1,000 or at the option of the holder in Deutsche Marks of the Federal Republic of Germany at the fixed rate of US\$1.00 equal payables.

Notics is also given that the coupon No.11 will be payable on March 15th 1988 at US\$62.50 or DM 141.30 subject to the terms and conditions endorsed on the Bond to which the coupon

Bank of America International S.A., Luxambourg

L-2520 Luxembourg

For Sandvik Aktiebolag.

Principal Paying Agent

Bankers Trust Company Four Africa Street New York, NY 10015

Credit Suisse Paradeplatz 8 CH-RIZI Zurich

(the "Company")
rated with limited flability in Englan

he outstanding U.S.\$75,000,000 5½ per cent. rertible Bonds Due 14 May 2001

ciently."



Coskun Ulusoy: nothing

property market, its losses increased in 1987 to a reported TL77bn, threatening the first insolvency of a state bank in

Turkey.

In early January, Anadolu was merged with the profitable Emlak Kredi Bankasi in what was widely regarded as a rescue operation, although Mr. Semiler still remains at the DEN NORSKE Creditbank (DnC), Norway's largest bank which last month announced the resignation of its chief executive fol-lowing a dramatic slide into the red for 1987, said yeshelm of the merged Turkiye Emisk Bankasi (Konutbank). terday that its entire executive board had been replaced. The bank's 45-member He says the merger will make it easier to deal with Anadolu's non-performing loans.

Others are not so sure - and question whether the new young technocrats possess the experience required to effect the radical changes needed in

the state sector.

Mr Ulusoy dismisses this criticism. He draws the analogy of a silversmith making a decoration for a horse-drawn coach cise repeated every year but their non-banking operations, and the young driver of a motor assets stood at TL5,600bn and tionalisation, have been well smith's experience, he cannot drive the car as well as the

its loans at TL2,600bn, of which agricultural credits amounted to TL1,700bn.

However, profits came to only TL15.6bn - a poor return in the market considering that the private sector Turkiye is Bankasi, about two-thirds the size, notched up profits of sible for the economy.

Mr Ulusoy is determined one way or another to shed Ziraat's tal non-banking holdings, such At Ziraat Bankasi, credits law for the age that the private sector Turkiye is sible for the economy.

Mr Ulusoy is determined one way or another to shed Ziraat's tal non-banking holdings, such At Ziraat Bankasi, credits law for the law for the same that the private sector for other small-to-medium stock market crash in October? by 300 from about 6,000 employees worldwide. fire last month from Norway's Banking, Insurance and Exchange Commission, which accused the bank of lacking internal control rou-

#### Kodak loan terms alter BY ALEXANDER NICOLL, EUROMARKETS EDITOR

TERMS FOR Eastman Kodak's reserve costs. As a sweeten The group has commissioned a study from the French Com-mission des Opérations de Bourse to synthesise the experi-

The interest margin above with banks' response and expected the loan to be finaliis now set at 12% basis points throughout the loan's three-

A Kodak executive said there had been a misunderstanding in the initial documentation.

\$500 loan to finance the acquisition of Sterling Drug have been adjusted, following confusion over who would bear the sterling broads in the backstop because it intended to rely on the party of the backstop because it intended to rely on the backstop because it in the back costs if banks incurred reserve ask for competitive bids.

Rodak said it was please

Other measures include:

\*\*Closus with long maturities in the order of NKr2bm to NKr3bn will be sold to institutions which speci-alise in long-term financing •Rach bank branch will be year life. Originally, it was 10 five-year credit has been launched with a 4 basis point facility fee for three years and 12½ thereafter. Credit Foncier's \$250m required to achieve profits corresponding to a minimum of 1.75 per cent of total assets after costs disfacility fee for three years and thereafter. There is no margin over Libor, and utilisation fees are 3 basis points if up to one-third is drawn, 6 if up to twotribution.

•The Norwegian branch network is to be reorgan-ised and rationalised. The New invitations were issued thirds, and 8 if more than two making clear Kodak would pay thirds. main corporate client spe-cialist functions will be lim-

#### NOTICE TO THE HOLDERS OF BEST DENKI CO., LTD 1: US\$45,000,000 3%% DUE 1991 2: US\$70,000,000 3 % DUE 1992 BOTH GUARANTEED BONDS WITH

WARRANTS

Pursuant to clause 3 of the instrument dated
1. 14th April 1986; 2. 19th March 1987 under which the warrants were issued NOTICE IS HEREBY

(1) On 10th February 1988, the board of directors of the Company resolved to make a free distribution of shares of its common stock to shareholders of record as of 29th February 1988, in Japan at the rate of 0.03 new shares for each share

(2) As a result of such distribution, the subscription price at which shares are issuable upon exercise of said warrants will be adjusted pursuant to condition 2 of the warrants from 1.Y1,464.80 per share of common stock to Y1,422.10 2.Y1,640.00 per share of common stock to Y1,592.20 effective 1st March 1988.

BEST DENKI CO., LTD By The Daiwa Bank Limited As Principal Paying Agent

Dated: 17th February 1988

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#### **GREEK EXTERNAL STERLING DEBT** Funding Bonds of the 4% Consulidated Gold Rentes 1889 S<del>cries</del> D2

Amented Bonds of the 4% Loan of 1982 "Greek Railways Loun"

Hambros Bank announces on behalf of the Ministry of Finance of the Hellenic Republic that pursuant to the first drawing of bonds of the 4% Sterling loans in cover of the sinking fund obligation of 1987, bonds of the above two loans have been drawn for redemption and are payable on and price 18th March 1000 on and after 18th March 1988.

\$2,850 nominal of the 4% 1889 Funding Bonds, Series D2 have been drawn, (represented by 1039 bonds of £50 nominal each and 309 bonds of the £100 nominal each), and £70,700 nominal of the 4% Loan of 1902. Assented bonds have been drawn, (represented by 3535 bonds of £20 nominal each).

Funding Bonds of the 4% 1889 should be presented for payment with coupen number 51, due 1st April 1988, and subsequent attached and Assented bonds of the 4% Loan of 1902 with coupon number 52, due 1st July 1988 and subsequent attached. Holders are asked to note that interest will accrue on the bonds up to and including the 17th March 1989 of follows:—

Loen	Boad Denombatio	interest n Payable
4% 1889 Funding Bonds	£50	£0.4638
4%, 1889 Funding Bonds 4% Loan of 1902	£100	£0.9276
Assented Bonds	£20	£0.0855

In respect of the bonds circulating outside the Helleric Republic, presentation for payment may be made between the hours of 10.00 a.m. and 2.00 p.m. on any business day to Hambros Bank Limited, Stock Counter, 41 Bishopsgate, London ECZP 2AA from whom the list of sorial numbers of the drawn bonds may be obtained. Bonds must be left three clear business days for examination.

## Eurodollar sector extends losses after NY opening

The US Treasury bond mar-ket, which had been closed on Monday for a public holiday, weakened on continuing disap-pointment with the US eco-

pointment with the US economic data released last Friday, which suggested the US economy was stronger than had been thought.

Prices of 10-year Eurodollar bonds eased by up to % percentage point during the afternoon, while riew issues launched last week slipped to even deeper discounts to their issue prices.

Two five-year bonds, for Oesterreichische Kontrolbank and Nordic Investment Bank, were quoted at less 3 and less 2% respectively, well outside 1% per cent fees. The bank's 45-member supervisory board announced the replacement of the executive board chairman, Mr Ragnor Halvorsen, by Mr Jon R. Gundersen, a Norwegian supreme court attorney. The remaining sty head The remaining six board members were also replaced, by two women and four men.
The manage The management changes coincide with a sweeping shake-up for the hank's balance sheet together with large staff cuts. Mr Harald Arnkvaern, DnC's president who was appointed for an interim period, following the resignation of Mr Leif Terje Loeddesoel, said that DnC staff would be reduced by 300 from about 6,000 1% per cent fees.

Dealers noted that the flurry of Continental buying of Eurodollar bonds seen at the beginning of the year had faded away over the past few days, as investors have taken profits and, perhaps, have been directed by investors and diverted by improving domestic

equity markets.

Meanwhile, muted demand for Australian dollar paper appeared to explain why Deutsche Bank Capital Markets nal issue.

EURODOLLAR BOND prices extended their losees yesterday bond for its possible opened easier in New York on ebbing hopes of lower US interest rates.

The 12% per cent bond, in priced at 101%, traded comfortably within 2 per cent fees at around less 1½. Dealers aid, however, the primary market saturated with recent look of sway was still saturated with recent paper, though a lack of swap opportunities was likely to deter potential borrowers this week.

> INTERNATIONAL BONDS

But a DKr400m issue for bonds were marked lower by up ford Motor Credit, launched to ½ point yesterday as investors Sparekassen SDS, was enjoying good demand, as have most Euro-Danish kroner bonds market.

Launched this year. The five-year look, was quoted at less 1% Coupons on two five-year convertibles for Japanese companies were cut by ¼ per cent lid, within 1½ per cent fees.

Moderate demand for Ecu at the pricings yesterday. That on a SFr150m bond for Rohm, bonds encouraged Banque Parithelectrical equipment manubonds encouraged Banque Parithe electrical equipment manu-bas Capital Markets to add a facturer, was cut to 1 per cent, further Ecu50m tranche to the while that on a SFr300m issue 10-year Ecu100m bond it for Mitsui Bank was reduced further Ecusion tranche to the 10-year Ecu100m bond it for Mitsui Bank was reduced to ke per cent. Investment Bank last November. The new 8% per cent portion, priced at 104, will trade finterchangeably with the original issue.

while that on a original sank was reduced to ke per cent. Bank was re

launched a new \$70m equity warrants five-year bond for Nakayama Steel Works, bearing an indicated 5 per cent cou-pon. Meanwhile, Nomura fixed the coupons on other recent Japanese five-year equity war-rants deals, for Kenwood and Takashimaya, by & per cent to 4% per cent. All the deals traded around six points above

Frankfurt put a dampener on D-Mark bond dealing yesterday. Prices in both the domestic and Euro-DM sectors were broadly

unchanged.
Straight Swiss franc foreign

#### Hint of role for foreign firms in Tokyo futures

MR MICHIO TAKEUCHI, president of the Tokyo Stock tem to begin by summer. Exchange (TSE), indicated yesterday that foreign futures average of stocks in the TSE's dealers would be allowed to first-section index plus 300 seconds and seconds are the stocks.

parliamentary passage of futures dealers, amendments to the existing The current list securities and exchange law members, which that would make such trading in Tokyo legal.

Exchange officials said that rapid enactment of the neces-

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dealers would be allowed to first-section index plus 300 secparticipate later this year in
the proposed Tokyo stock index
futures trading system "inder
certain conditions," AP-DJ allowed to trade under the new
reports from Tokyo.

Mr Takeuchi stressed, however, that all questions on participation would hinge on the TSE members and overseas
frims which were not regular
tripation to the trade under the new
seated TSE members and overseas

The current list of seated TSE members, which includes six foreign firms, will be augmented this May by the seating of 16 securities houses from the US, the UK, France, West Germany and Switzersland sary legislation could allow the many and Switzerland.

#### Saint-Gobain in talks with water group

By Paul Betts in Paris

SAINT-GOBAIN, the privatised French glass and pipes group, and Compagnie Genérale des Eaux, the large diversified water distribution group, con-firmed last night they were discussing a link-up of their respective construction and public works activities.

However, they claimed that, at this stage, Saint Gobain did not envisage the sale of a 65 per cent stake in Société Générale d'Entreprise (SGE), its construction subsidiary.

SGE's shares have been rising sharply on takeover specula-

#### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is	on adequate secondary market.  Closing prices on February 16
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more than \$5 billion in syndicated Private placement loans for leveraged buyouts.

ation continued a remarkable 5-year compound annual growth rate of more than 50% to rank among the top 3 lessor advisors. Total cost of equipment agented a total of 50 transacand facilities leased or handled

Private placements grew to more than \$4 billion, an increase of 40%. First Chicago ranked

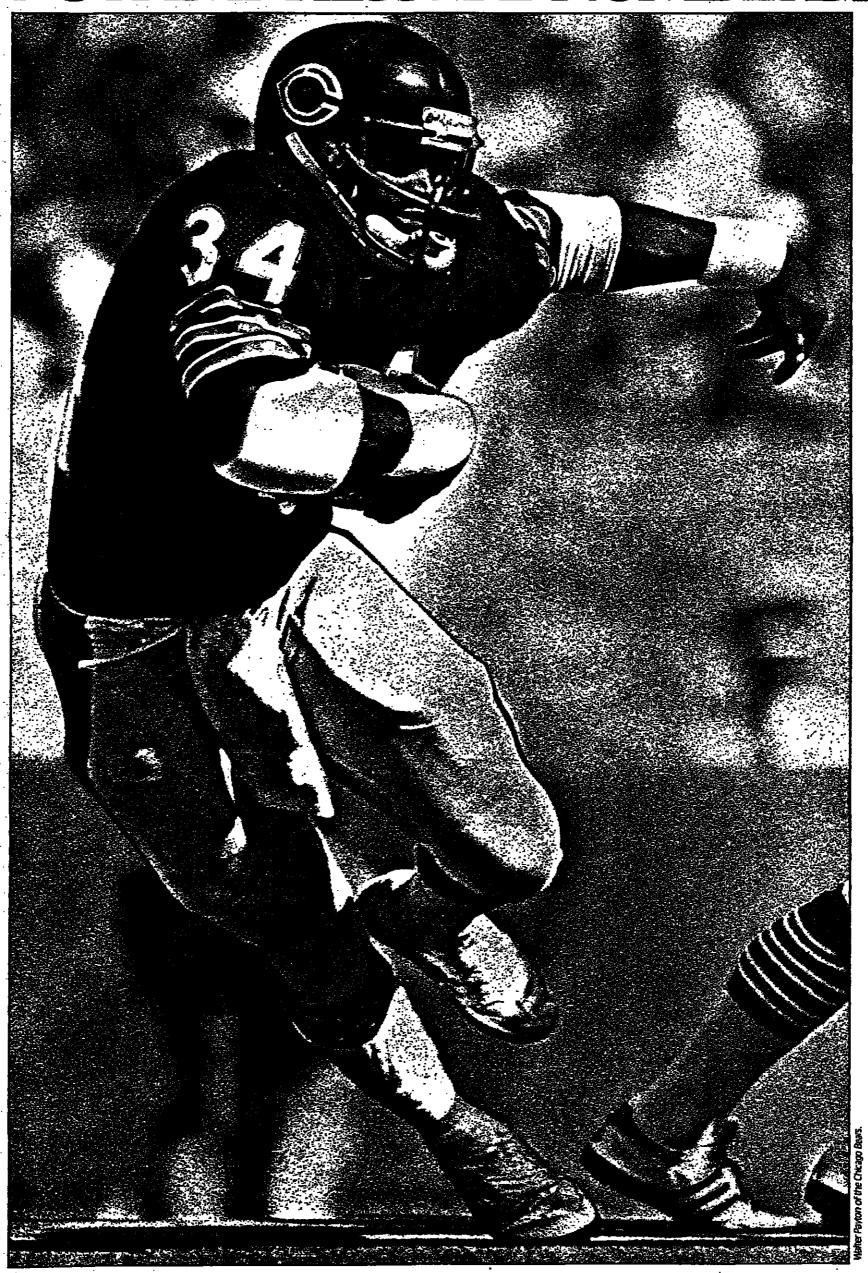
First Chicago Leasing Corpor- among the top 10 investment year in private placements volume

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## Core activities boost Crest to record £24m

CONCENTRATION on core Midlands and in November a activities of building and prop-new regional of in East Anglia. Nicholson increase pre-tax
Profits for the 13th successive related activities were the only

The restructured group made record profits of \$24m before tax for the year to end of Octo- (\$79m). ber, 44 per cent up on the pre-vious year's profits of £16.6m

Pre-tax profits in the domestic property division increased sports surface companies - En-to \$19.4m (\$11.5m) on turn-tout-cas in the UK and US subover of £109m (£85m) as the sector's gross profit margins for the year.
rose to 17.8 per cent (13.6 per A \$40.2m is

over \$15m, profits from which were recorded as an extraordi-nary credit of \$5.2m. The directors said the com-

pany's property division could (15.01p), now act with the construction The b division - which includes the group's marina company and artificial sports surface subsidiaries - to develop land for resi-dential, commercial and leisure

The division is expanding in the South West, Wales and the

new regional office was opened

areas to disappoint with profits reduced to £168,000 (£2.4m) on turnover down to £72.3m

Pearce Construction obtained insufficient new contracts early in the year and tight margins were further reduced. The sports surface companies - Ensidiary All-Pro - incurred a loss

A \$40.2m issue of convertible cent).

During the year Crest disposed of seven industrial and commercial subsidiaries for \$124m at the end of the year. Turnover for the group as a whole increased to £223m (£212m) and fully diluted earnings per share rose to 19.65p

> The board recommends a final dividend of 3.7p, ahead of Crest's own forecast before the rights issue, making 6.7p (4.75p) for the year.

comment This year Crest has split its

#### First Leisure sells steak restaurants

Piret Leisure Corporation, the entertainments and leigroup, yesterday announced that it was sell-ing its chain of Whitegate steak restaurants, less than two and a haif years after

its acquisition.
It was difficult to find additional sites, as we operate in a relatively tight locality, with considerable competition from the major steak houses which are part of pub chains," said Mr Michael Cottrell, chairman designate. "It also took lon-ger than we expected to get

The company said yester-day that at the time of the acquisition, it had believed steak restaurants offered significant growth. How-ever, profits have fallen below expectations, to \$613,000 for the year to October 31, including a small loss from the initial trading period of the three

restaurants. Mr Cottreil said the sale of Whitegates did not imply FLC was thinking of pulling out of catering. Bar takings, including food, account for 33 per cent of the comps-ny's turnover. A further 14 cent comes from food

He added that FLC had been considering selling Whitegates for some time before his arrival there last year, although he may have played a part in speeding up a decision.

The restaurants are being

bought for \$6.4m cash by a start up company, White-gate Leisure, backed by Lazard Leisure Fund and Hambro European Ventures, Mr James Naylor, formerly joint managing director of FLC and Mr Nicholas Oppenheim, a director of Dewey Warren Holdings and Kellock.

#### growth through urban develop-ments which would exploit the core strengths which Crest has retained. Yesterday there was even talk of cashing in on the Chunnel and the proposed Gibraltar international airport with moves into France and Spain. Crest has recently restructured its finances and come up with borrowing resources of almost £150m, an indication of the ambitions and flexibility of a group with no gearing. In the short term, how-

property results, demonstrating

the strength of its domestic

housing sector which showed a

handsome rise in pre-tax mar-gins. The group is confident of the potential for further

gearing. In the short term, however, the priority is to strengthen management in existing areas and seek new growth regions in the UK. The prospect of the Swindon development keeping Crest happy beyond the year 2000 and the expected recovery in the smaller subsidiaries supports forecasts of around \$31m pretax for 1987/8. Yesterday the tax for 1987/8. Yesterday the shares were unchanged at 205p giving a prospective multiple, fully diluted, of about 9 which

## S&N in new role at High Gosforth

eirles is to take a boardroom role at High Gosforth Park, the small Newcastle-based raceager, in which the drinks company holds a 10.7 per cent stake Mr Alick Rankin, S&N's chief executive, and Mr Gavin Reed, chairman of Newcastle Breweries and a main board director at S&N, have been

Two other local businessmen plans for the Gosforth Park are also joining the board - Mr Estate - and yesterday Mr Kenneth Bell, chairman of David Parmley, managing direc-

Durkee Famous Foods, to Campbell Soup for \$30m (\$17.25m) cash.

of Durkee's olive processing

and packing division because it is not central to Durkee's activi-

ties which are mainly flavour

FINANCIAL RESULTS

INCOME STATEMENT

Preference dividend Earnings after execution and preference dividend

Net income (note 3) Attributable income

Deferred taxation

Market value

Net investments (note 3)

Market value

Expenses Taxation

OFFSHORE

REPUBLIC OF SOUTH AFRICA

Surplus on investment transactions

REPUBLIC OF SOUTH AFRICA

Land, buildings and mineral rights Net current liabilities

Based on shares in issue (000) (note 1)

Earnings before sharedealing profits Dividends

enhancement lines.

Reckitt in US disposal

ries group, is selling the olive February 29. business of its US subsidiary.

Reckitt & Colman, the inter-national food, drugs and toilet-deal should be completed by

profits of \$2m on sales of \$49m shortened its name from Ewart in the 1987 financial year and New Northern.

The new appointments came as High Gosforth announced that it is currently discussing with its financial advisers pro tional finance for developing the company's business". The new main board is expected to concentrate on development

Tyneside building group Bell-1 tor, said a number of possibili-way, and Mr Robert Dickinson ties were being considered. Yes-from Dickinson Dees, the New-terday's announcement comes in the wake of a previous capi-tal injection scheme which was

rejected by shareholders including S&N - last year.
Four existing board members
are resigning - including chairman Viscount Allendale who
becomes president of the company. High Gosforth's previous
board will take charge of the horse racing operations through directorships of the wholly-owned subsidiary, Newcastle

#### TVS video offshoot to be sold back to co-founder

Reckitt & Colman is disposing Yesterday's FT incorrectly f Durkee's olive processing reported that Ewart's net asset value rose to 1.430 (1.11p adjusted) in the six months to October 31. In fact, these were the figures for its rise in earn-The olive unit made pre-tax ings per share. Ewart recently

GENBEL INVESTMENTS LIMITED

INTERIM REPORT AND DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 1987

Six months to

31/12/1987

1,928

48,060

25,696

31/12/1987

304,135

264,583

(1,099)

263,749

40,386

37,698

The issued share capital was increased from 33,790,388 ordinary shares to 36,179,599 ordinary shares in July 1987. The additional shares were issued in exchange for 2 million Gencor shares and R42.7 million in cash which was invested in good quality gold and mining finance shares.

2. In December 1987 the company exchanged its 15 per cent holding in Beisa Mines Limited and a portfolio of gold shares for a 10.4 per cent interest in Oryx Gold Holdings Limited. Details of the Oryx mine were published by General Mining Union Corporation Limited on 22 September 1987.

3. Offshore investments have been shown as net amounts in the income statement and belance sheet. The offshore operation has liabilities of DM 100 million of which DM70 million have been converted into US dollars with forward cover to maturity. Sufficient assets are held in DM and US dollars to cover the liabilities.

4. In January 1988 Genbel acquired 55.5 million '5' ordinary shares in Marievale Limited, representing 92.5 per cent of the company's equity. The business of Marievale as a precious metal mineral rights participation company is based on precious metal mineral rights, mineral right participations and shareholdings previously held by Genbel.

5. In view of the reduction in profitability of the gold and platinum mines resulting from weak rand metal prices and substantial increases in working costs, dividends from these companies are expected to decline. Consequently the directors are of the opinion that the total dividend of 280 cents per share for the previous financial year will not be achieved in the current financial year and will probably not exceed

The net asset value of the company as at 12 February 1988 is estimated at R1,590 million or 4,393 cents
per share. This includes the holding in Marievale at market value.

INTERIM DIVIDEND declared on 16 February 1988 - Payable on 31 March 1988. Amount per share 110 cents - Currency conversion 21 March 1988

Copies of the full interim report may be obtained from the office of the Landon Secretaries, 30 Ely Place, Landon ECIN 6UA.

Television South has agreed to sell the whole of the issued share capital of Blackrod and its video production subsidiary. Mr Michael Blakstad, who is chief executive and controlling shareholder of Workhouse Productions, Winchester. Mr Gerry Buckland, TVS cor-

porate relations director, refused to disclose the amount of the proposed disposal, but

Audited Twelve months to 30/6/1987

100,709

3,477 1,716

95,422

19:755

145,667 94,613

30/6/1987

236,850

238,596

238,703

2,069,034

265 (27.673)

211,295

27,301

48,772

<u>238,596</u>

33,790

Six months to 31/12/1986

50,363 1,846 25 94

48,398

59.015

31/12/1986

204,529

<u>204,5</u>29

234,497

354 (28,530)

206,321

120

analysts believe TVS could realise about £2m. In September last year, it was announced that Broad Street, the public relations company, had agreed in principle to the acquisition of Blackrod. Following the October stock market crash, however, the sale did not pro-

Blackrod is a producer of corporate media services. As an independent company, it will

said that he did not think use corresponding increase in costs was a relevant reason for the office at the egm, and to return to the board himself, along with

SHAREHOLDERS in Bremner, two former directors. the financial services group. The issue is complicated fur-who recently were faced with ther by a dispute over the role two people who claimed to be of Mr Eric Pearce, Mr John their chairman, are now being White and Mr Chris Adams. Mr invited to two separate extraor- Rowland-Jones claims that he dinary general meetings, on dif-ferent dates and at different before his removal and that Mr

venues.

Pearce then became chairman;
In a letter to shareholders, Mr McGuinness disputes that independent company, it will meet requirements for programme makers recently issued by the Independent Broadcasting Authority. It was set up by Mr Blakstad and Mr Michael Rodd and acquired before TVS won its franchise. Mr Blakstad later became programme director at TVS.

TVS is planning a significant increase in programme production this year, but Mr Buckland said that he did not think the corresponding increase in costs James Rowland-Jones, the for the three were validly

#### **DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year	
Jexanders Hidgsfin rest Nicholsonfin lard Rock Intlint licardo Consultint rencherwood §fin	3.7 0.76 <b>4</b>	Apr 15 Apr 8	0.71 8 nil 1 2.25*	.0.73 5.7 - 3.8	0.71 4.75 0.8 3.25 3.08*	

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. \*Unquoted stock. \*Third market. \*On class A (RV) shares.

THE UK TEXTILE INDUSTRY The Financial Times proposes to publish this survey on

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## Terry Dodsworth and David Thomas report on STC's acquisition

# Telecom strategy takes shape

STC, Britain's second biggest electronics group, has this week nailed in place one more plank in the strategy it has been con-structing for its telecommunica-tions business during the past

three years.
Its acquisition of the UK telecommunications operations of Northern Telecom is another step in its alliance with the Canadian company whose breakthroughs in the fiercely competitive US market have made it the world's fourth largest telecommunications equip-

ment manufacturer.
The purchase also renews STC's access to the product long regarded as the flagship of any telecoms supplier with pre-tensions to operate on a world scale - the digital public exchanges which telecom oper-ators have been buying increasingly to cope with spiralling demand and intensifying competition.

petition.

STC abandoned that market in the mid-1980s when its links were broken with System X, the digital public switch it developed with the General Electric Company and Plessey. "STC was kicked out of System X. And it took a period of time to get over that shock and to fig. get over that shock and to fig-ure out what that new strategy should be," admits Mr Peter Gershon, who moved from STC's ICL computer subsidiary last year to head the telecoms

As the centre of its new approach, STC has seized on a development which it believes is about to revolutionise the fast changing world of telecom-

Technological advances are making it possible for some of the functions traditionally the to be carried out in a more decentralised fashion. In practice, this has meant

concentrating on three areas.

First, transmission equipment
itself: STC's new strategy

Northern has given STC a revolves around a new genera-tion of equipment in which it claims a world lead. Known as digital multiplexers, they con-trol the flow of signals along the telecoms network. Second, in the area of cables,

in which STC has traditionally nications network to another, been strong, the advent of optical fibre has greatly increased multiplexer. Manufacturing

**Bremner EGMs called** 

the numbers and types of sig-nals which can be carried simultaneously over a telecom-

The third area is equipment on customer premises, such as telephones and exchanges for smaller businesses. STC believes these will also evolve as more functions are controlled by the transmission network, rather than by the central exchange. However, even if Mr Gershon

is correct in arguing that the digital central exchange is set to diminish in importance in the medium term, for now it remains a key product in the portfolio of most equipment suppliers. Until this week, STC

was without that product.
The deal with Northern appears to plug that gap. In future, STC will be responsible for Northern's DMS family of public exchanges in the UK. The companies think this will boost the chances of selling Northern's exchanges to British Telecom. STC also believes that access

STC also believes that access to the technology underlying Northern's exchange will help it put together powerful joint bids for telecoms projects. One example of the way in which the collaboration between the two companies is already working is the latest bid by STC for a fibre optic-based transmission network being introduced by

a fibre optic-based transmission network being introduced by British Telecom.

BT's Flexible Access System (FAS) is being installed in the City and will eventually be extended to other parts of the country to give business customers a higher quality, faster and more malleable service for both voice and data traffic. STC's multiplexers lie at the STC's multiplexers lie at the centre of these networks, and according to Mr Gershon the most recent offering from the company is radically different

combination of its expertise in semiconductor design, its com-puterised design methods and its skills as one of the world's leading producers of line cards. Line cards translate messages from one part of a telecommu-nications network to another,



Peter Gershon: most recent offering is radically different

them is a competitive, high vol-

ume business, and Northern Telecom is said to be one of the world's low cost suppliers.
For both parties, however,
the opportunity to work
together on multiplexers is only part of the attraction of the deal. Co-operation is expected to work at a number of levels. • The two companies have committee which meets once a month on both sides of the

 In the technology field, they will collaborate on specific projects – for the FAS pro-gramme, for example, they put together a joint development

Atlantic to review joint programmes and formulate new

• In the longer term, STC could provide manufacturing facilities for Northern products in the UK. This would be particularly relevant if Northern became a serious contender in the large public switch market.

• STC could also help Northern in some overseas markets, particularly in the developing

has long-established contacts. There is a possibility that the next generation of North-ern's large private exchanges might be manufactured and distributed by STC. At present, these switches are made under

licence in the UK by GEC ... The agreement will also conclude Northern's withdrawal from the office automation market after an unhappy. experience over the last few years in trying to diversify away from pure telecommuni-cations. Northern's loss-making. European activities in this area are to be taken over by ICL the computer manufacturing sub-sidizry of STC.

Mr Roger Wood, the new man-

aging director of the former Northern businesses, said yes-terday that the acquisition would give ICL access to "some rare skills in Europe, a significantly extended customer base and added distribution.

Northern has concentrated on specific markets sectors, such as central and local govern-ment, where ICL is active, and company's European office systems sales are in the UK it is also present in France, Belgium, Holland, Italy and Swit-

zerland.

• Finally, Northern ought to have the clout in North American ica to help STC break through into the lucrative US market.

Both companies see their allfance as a chance to become gen-uine multinationals. Northern has already gone some way towards that goal by establishing itself as the second largest public switch supplier in America, and winning a foothold in Japan. But as far as the British company is concerned, the lit-

PLESSEY DELAYS GEC LINK CIRCULAR Plessey has postponed plans to send a circular this week to its shareholders about the merger of its telecoms equipment business with GEC's, reports David

A circular giving financial

details about the merger is unlikely to appear now for a couple of weeks because some details remain to be worked out. However, the company stressed that the

#### MIM group lifts stake in DSC to 23.99%

CLIENTS OF MIM, fund management group - together with parties acting in concert with MIM - have raised their stake in DSC, the former Diamond Stylus group, to 23.99 per cent.

The MIM. grouping amounced a 15.05 per cent interest in late-January. The latest purchases comprise 664,948 shares acquired by MIM's clients; 25,000 shares by Lord Stevens, chairman of MIM; and 10,000 tury Ventures Holdings.

by Mr Christopher Mills. Both Lord Stevens and Mr Mills have already joined the DSC board. In addition, DSC says it has been informed that the Mer-chant Navy Officers Pension Fund Trustees has acquired a 17.2 per cent holding.

The shares were bought last week at 85p from Enigma Inter-

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17th February, 1988

#### Twenty blue chips in Amsterdam

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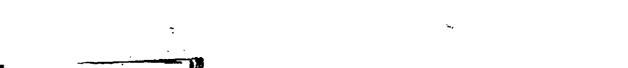
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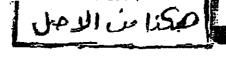
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## Listing costs cause setback at Hard Rock

BY FIONA THOMPSON

Rock Cafe restaurants reported pre-tax profits slightly down at \$2.81m for the six months to December 31, 1987, compared with \$2.97m for the same period in 1986. This was despite an increase in sales from \$9.16m to \$12.06m. Earnings per share fell to 3.13p from 4.87p.

"We've been sitting in lawyers' offices all year, said Mr. Barry Cox, joint chairman. "The expenses just got out of hand.

expenses just got out of hand. We didn't fully realise how

much management time would be involved in going public, especially in the US."

The company came to the London market last November. Its shares have been traded on the American Stock Exchange since early last year.

The interim pre-tax figure for 1986 included an exceptional item of £906,000, the proceeds item of £906,000, the proceeds from the sale of an area franchise. Stripping this out, at the operating profit level this year's £2.61m is a 26 per cent rise on last year's £2.07m. But this rate of earnings growth "is still disappointing when put in the context of previous years," said Mr. Cov.

The weakness of the dollar The weakness of the dollar building up and Cancun looks affected the value of income like a moneyspinner. Analysts from the US by \$200,000 to \$300,000, and the company had problems with two new US full year to about \$5m, producsites. In Washington there were ing a prospective p/e of 12.

costs in going public, problems with a listed building, and the weakness of the US dollar have held back Hard Rock International's interim profits.

The operator of the Hard Rock Cafe restaurants reported pro-tax profits slightly down at LARGER THAN anticipated delays because the restaurant

The tax charge slipped to £946,000 from £1.07m. An interim dividend of 0.76p on the 'A' restricted voting ordinary shares was declared. As in previous years no interim dividend has been declared on the ordinary shares.

Barry Cox crossed the Atlan-tic 21 times in the past year. That alone will have added up to a tidy sum, so one can well see what the company meant see what the company meant when it said expenses and costs ran out of control. Though the management wins brownie points for its openness, yester-day's results were substantially below what the City had been expecting. The costs incurred Silicon Glen, it was formed in recruiting senior management 1980 by an American and three for the new US operations will scots who broke away from the carry through into the second half, but without any of the benefits because the restaurants will not open until the end of the financial year. But two year progregate are good to be second the new lindustry stansised it had developed its existing dard.

Scots who broke away from the Scots who broke away two year prospects are good -the merchandising operations, now 45 per cent of sales, are building up and Cancun looks like a moneyspinner. Analysts

#### **Britannia Arrow raises** M&G holding to 5%

fis state

eration pl

Britannia Arrow, fund management company, yesterday confirmed that it had raised its stake in M&G, Britain's largest unit trust group, to 3.825m shares or 5.01 per cent. Suggestions that Britannia Arrow had "We presume that they think its according to the presume that they then the presume that they think its according to the fund management company was not an aggressive buyer.

M&G's managing director, Mr Paddy Linaker, also pointed out that they are the presume that they are the presume that they are the presume that they are the fund management company was not an aggressive buyer.

M&G's managing director, Mr Paddy Linaker, also pointed out that they are the presume that they are the presume that they are the presume that they are they are the presume that they are the presume that they are gone through the disclosable level were mooted in the week-end press, and yesterday M&G shares eased back by 3p to

295p.
The stake is held through Citystep, an investment holding subsidary of Britannia Arrow, Citystep's interest in M&G came to light last October, when it Trust M&G says it has not had was revealed that the Britamia any recent contact with Bond, Arrow offshoot had picked up a although some inconclusive 4.65 per cent holding in the unit contact is believed to have The initial holding was picked up when Kleinwort Benson sold off a 37 per cent interest in M&G at the end of 1986.

addition was the result of being Trust.

that the increase was small.
"We presume that they think
it's a good investment," he com-

M&G has seen another major shareholder arrive on its regis-ter recently. The Australian Bond Corporation acquired a 6.8 per cent interest in M&G last December, following the sale of some shares by Ensign Britannia Arrow, Yesterday, no one at Bond Corporation was available to comment on the

Yesterday, Lord Stevens - Just over 31 per cent of vice-chairman of Britannia M&G's shares are held by the Arrow - said that the recent Esmee Fairbairn Charitable

#### Poor response to Dobson bid

Dobson Park Industries, the shares through the market, so it diversified engineering company which is making a hostile bid for MS International, received acceptances covering just 0.89 per cent of the mining

is, opportunistic and quite the middle line as the "Datasunwelcome." Dobson has tream Food Retailing Index bought 3.19 per cent of MS's (rebased).

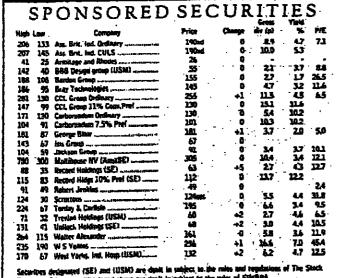
Dee Corporation

just 0.89 per cent of the mining equipment group's shares by the first closing date of its offer on Monday. It has extended the offer until February 29.

Mr Michael Bell, chairman of MS, said: "Shareholders have clearly seen the bid for what it is opportunistic and quite the middle line as the "Datas."

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James Buxton examines the background to Rodime's misfortunes in 1987

## Optimism following a year of crisis

MR COLIN GRANT, finance the permanent memory of a director of Rodime, the Scottish computer.

The organal funding was put hard disk drives for computers, in by the four founders and by

The mismatch occurred york over-the-counter market because the company could not introduce a new line of products in time to offset declining sales revenues from the older product range. The crisis came to a head in June last year when Rodime had to write off \$28m worth of stock and cut its \$14.8m on sales of \$75.9m. worldwide workforce by 300, Having built up a range of 5%-shedding 200 of its 760 employing in that year it achieved record pre-tax profits of \$14.8m on sales of \$75.9m. worldwide workforce by 300, Having built up a range of 5%-shedding 200 of its 760 employing in 1983 the first component in 1983 Rodime last secured a UK Stock Exchange quote. Production had to be rational-ised, there was a reshuffle in the line-up of senior managers, and Rodime closed the year to

September 30 1987 with a pre-tax loss of £13.4m (£1.7m loss), amounting to a loss of 147p per share. Sales in 1987 were £71.7m, up 8 per cent on 1986. Rodime, which produced first d Rodime, which produced first quarter results yesterday, was until recently one of the major successes of the UK electronics industry and its ambitions have not been dented by its recent difficulties. In a manner more reminiscent of California's Silicon Valley than of Scotland's Silicon Clan it was formed in

computer.
The orginal funding was put

in by the four founders and by has a somewhat euphemistic Investors in Industry (3i), explanation for the crisis which between them still the owners says it was suffering from a sequent funding, totalling "mismatch."

Sequent funding, totalling sequent funding, totalling was raised on the New York over-the-counter market

> becoming in 1983 the first company to introduce the 3½-inch disk drive, developed at Glenrothes. In 1984 Rodime established a plant at Boca Raton in Florida to make its 54-inch

But although Rodime continually refined and improved its ally refined and improved its product range other manufacturers were catching up with it and in some cases, Rodime has claimed, infringing its patents. Furthermore, the 3½-inch disk size caught on more slowly than Rodime had hoped, partly because until last year IBM did not adopt it for its personal computers, and thus set it to computers, and thus set it to become the new industry stan-

FIRST-QUARTER TURNROUND

Rodime made first-quarter pre-tax profits of \$509,000 (\$292,277) in the three months to end-December

Rodime has decided henceforth to report in US dollars instead of sterling, in view of the fact that about 70 per cent of its purchases and revenues are denominated in dollars.

The outcome compared with a pre-tax loss of \$2.58m in the group's first quarter of 1986/87. Turn-over was \$23.37m compared with \$22.6m in the corresponding period of the previous year.

elsewhere in the Far East.

Although Rodime decided in 1986 to establish its own plant in Singapore, it was not operat-ing until August of last year. "We were not designed to be a mass volume manufacturer", says Mr Grant. "We were located in areas - Glenrothes and Boca Raton - that are not suitable for mass manufactur-

suitable for mass manufacturing. If you stay one step ahead
you don't have to compete in
the volume market place."
But Rodime did not stay one
step ahead. In mid-1986 it realised it had developed its existing range of products as far as
they could go. It was time to
develop-a new range of disk
drives with the aim of bringing

Rodime lost a total of

\$21.6m (\$13.5m) in the full 1986/87 year. But the com-pany made a very small operating profit of \$19,000 in the last quarter of that

the first quarter due to higher seasonal demand. The company also delivered units of its range of new products for evaluation by an increasing number of notential original equip potential original equipment manufacturers.

the new product range to the RO 200E 5%-inch series and market just as the older range wrote off £8m on inventory and was being phased out. Rodine the cost of cutting the workwas also adding an 8-inch disk drive to its range.

Since then Rodine has been

Rodime, however, underesti- building up production of its mated the time it would take to new product ranges, though develop the new products. "It several are still being evaluated was difficult to introduce three by major original equipment new product ranges simulta-manufacturers. Rodime believes neously," says Mr Grant. "It's it is poised to see the benefits

ing orders for its older product believes its products are "at the ranges, sales were in decline forefront" of their fields.

and prices falling. In the end the pressure on margins proved fact that Rodime's Singapore fact that Rodime's Singapore and prices falling. In the end the pressure on margins proved too great and last June the company curtailed production of its

Far more important is the Rodime's recovery. The share price fell last year from 605p to plant is now operating, which puts Rodime on a par with hard

Far more important is the Rodime's recovery. The share price fell last year from 605p to 100p, although it is now back puts Rodime on a par with hard

The company said that sales to the retail sector accounted for a significant proportion of revenues in

fair to say that we overfair to say that we overof what has been a long and
stretched our resources. We lost
nine months to a year."

Som on engineering costs alone
in the past two years. It

Rodime

Share Price ( pence )

disk drive manufacturers in the US, such as Seagate and Minis-cribe, which have operations in the Far East. Now it is established in Singapore it is setting up a sales team there to tackle the market among Far East original equipment makers.

Redime crept back into profit in the fourth quarter of the 1986/87 financial year, making £220,000. Mr Grant believes that the company could soon see a big jump in revenue and profits, the first signs of which could emerge in the second half of the current financial year, though he cautions against making any assumptions about orders that have yet to materialise. The Singapore plant, being in an area with a dollarrelated currency, gives some protection against falls in the RO 200E 5%-inch series and dollar against sterling while wrote off £8m on inventory and the cost of cutting the work-something of an insurance if protectionist pressures grow in

> But the world disk drive mar-ket is fearfully competitive and many of Rodime's rivals have similar product plans and are at least as well placed to manufacture cheaply and with as good a currency mix as Rodime. The company expects to return to profit this year.

> So far the market has not reflected vast optimism about

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This unusuacement is neither an offer to buy nor a solicitation of an offer to sell these securities. The Offer is made whele by the Offer to Purchase and the related Letter of Transmittal and is not being made to, and tenders will not be accepted from, holders in any purisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction.

NOTICE OF EXTENDED OFFER

AMERICAN MEDICAL INTERNATIONAL N.V.

To Purchase for Cash its

Zero Coupon Guaranteed Bonds Due August 12, 2002

at U.S. \$191.03 net per U.S. \$1,000 bond.

The purchase price stated above is equivalent to the accreted value of the Bonds on March 1, 1988, plus a premium of 15½% on the Bonds. If Bonds are accepted for purchase, payment will be made on or about March 1, 1988.

Bands will be accepted for purchase only if they have been voted in favor of certain Indenture

amendments to be consulered at an adjourned meeting of the holders of the Bonds noticed for February 23, 1988 or any further adjournments thereof (the "Meeting"). The Office is condi-tioned on appearal of the Indenture amendments of both the Indenture for the Bonds and

the Indenture for the Company's Zero Coupon Guaranteed Bonds The August 12, 1997, Holders of the 1997 Bonds approved such amendments at a meeting held February 11, 1988. All proxies submitted by holders of Bonds on a form provided by the Company for voting at the February 11, 1988 meeting of holders of the Bonds will be automatically voted at the Meeting, unless

If the Indentures for both boxes are amended as proposed, all Bonds which have been doly endered and voted in layor of the amendments will be accepted for purchase.

THE OFFER. AS EXTENDED, WILL EXPIRE AT THE CLOSE OF

BUSINESS ON FEBRUARY 23, 1988. UNLESS FURTHER EXTENDED. TENDERS WILL BE IRREVOCABLE EXCEPT THAT AFTER MARCH

30, 1988, BONDS TENDERED AND NOT ACCEPTED FOR PURCHASE AND PAYMENT PRIOR TO THAT DATE MAY BE WITHDRAWN

Bonds may be tendered without physical delivery if such delivery is guaranteed by a hank tincluding the Depositary), banker, trust company, or member of the New York, London or other recognized stock exchange, on the Guarantee of Delivery form included in the Letter of Trans-

recognized stock exchange, on the Guarantee of Denvery form included in the Letter of Transmittal, subject to the conditions stated therein.

The Company will pay a solicitation fee of U.S. \$1 per U.S. \$1,000 Bond for each Bond purchased pursuant to the Offer which is tendered by or forwarded through a bank, banker, trust company, or member of the New York, Landon or other recognized stock exchange, including Bonds tendered

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NOTICE OF ADJOURNED MEETING

AMERICAN MEDICAL INTERNATIONAL N.V.

Zero Coupon Guaranteed Bonds Due August 12, 2002

NOTICE IS HEREBY GIVEN that an adjourned meeting (the "Adjourned Meeting") of the

NOTICE IS HEREBY GIVEN that an adjourned meeting (the "Adjourned Meeting") of the holders of the Zero Coupon Guaranteed Bonds. Due August 12, 2002 (the "Bonds") of American Medical International N.4. (the "Issuer") will be held at Morgan Guaranty Trust Company of New York, The Conference Centre, 3rd floor, I Angel Court, London EC2R TAE, London, England on Tuesday. February 23, 1983 at the hour of 2:00 o'clock in the afternoon, London time. At the Adjourned Meeting, Bondholders will be asked to approve amendments (the "Amendments") to the Indenture, dated as of August 12, 1982 (the "Indenture"), among the Issuer, American Medical International, Inc., as guarantor (the "Guarantor"), among the Issuer, American Medical International, Inc., as guarantor (the "Guarantor"), among the Bonds were issued. Such Amendments will eliminate Sections 4.06 through 4.11 of the Indenture, which contain the financial overnants of the Issuer and the Guarantor. The Issuer has made an offer to purchase Bonds conditioned, among other matters, on approval by the holders of the Bonds and the holders of the Issuer's Zero Coupon Guaranteed Bonds. Dur August 12, 1997 (the "1997 Bonds") of such Amendments were approved with respect to the 1997 Bonds at a meeting of the holders thereof on February 11, 1988.

In accordance with the proxisions of the Indenture, the resolutions to be submitted to the Adjourned Meeting, in order to be effective with respect to the Bonds must be approved or devided by persons entitled to vote the lesser of (i) a majority in principal amount of the Bonds at the Immediate Proximal of the Bonds at the Immediate Bonds of the Indenture of the Bonds with the Chairman of the Adjourned Meeting, provided that a quorum is present.

In order to be entitled to vote at the Adjourned Meeting approved of one or more Bonds or or a person appointed by an instrument in writing as proxy by the holder of one or more Bonds or or all provided to the Adjourned Meeting of Bonds in the Adjourned Meeting of Bonds when the Opensitary on t

Morgan Guaranty Trust Company of New York 11, Place Vendome 75001 Paris, France

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Avenue des Arts 35

1040 Brussels, Belgium

Dated: February 17, 1988

#### **UK COMPANY NEWS**

David Lascelles profiles the success of the UK's most profitable bank

## Assessing a Yorkshire paradox

A BANK that is undergeared, that makes some of the chespest loans in the country, and that has such a large surplus of deposits that it has to put them out in the money markets at the slimmest of margins, would be lucky to earn a decent return

for its shareholders. Yet the Yorkshire Bank does all those things, and somehow manages to be the most profitable bank in the UK, if not the whole industrialised world. It is the great paradox of British banking.

"We're a bit unusual", agrees Mr Graham Sunderland, the bank's brisk Yorkshire-born general manager, with a touch

of pride.
Yorkshire Bank (whose own- ble. His bank had managed to ers are NatWest with 40 per earn a return on its sharehold-cent, Barclays with 32, Lloyds ers' funds of 39 per cent, and with 20 and Royal Bank of on its total assets of 4 per cent. Scotland with 8) has topped the Most other banks reckon they UK banking profitability are doing well if they earn leagues for years, according to returns only half that big. How IBCA, the London bank credit does Yorkshire do it?

rating agency.

But yesterday's results were so astonishingly good that Mr Sunderland had to spend much Leeds. Yorkshire Bank has of the day warning people that made a point of digging deep they were probably unrepeata-

and corporate banking markets, and cost control within the bank. Additionally, results were helped by property realisations, and profits in gilt-edged deal-

Mr Sunderland advised, however, that Yorkshire had benefited from exceptionally buoyant banking markets in 1987 and that its profitability performance was unlikely to be repeated

banking markets, and pinching its own pennies in time-hon-oured Yorkshire fashion. Structurally, it has never burdened itself with huge branch net-works (it has 244 branches) or

create a new bureaucracy. petitive rates on mortgages and "I'll never take a taxi if I can personal loans in the country.

The staffing count has been brought under tight control, and Yorkshire's strong depositgathering business also pro-vides it with a secure, low-cost

funding base. In its lending policies, the bank deliberately avoids the highly competitive big company market where profit margins have been shaved to the bone. We're not bankers to ICI or anyone like that", says Mr Sun-derland. Nor has Yorkshire got any exposure to troubled Third

World countries. Instead, the bulk of its lending is to the medium and small sized company market in the Midlands and the north where margins are a bit wider. It also has a large instalment loan business, again earning it those few precious extra percentage points.
The boom in the UK lending

top heavy management.

Although it is gradually moving southward (next stop Hitchin). Mr Sunderland refuses to open a southern regional office because that would only to offer some of the most compensation.

But since competition has become more intense on the retail side, it has switched its biggest effort to the corporate market.

If anything, Yorkshire has begun to suffer from its own success. It is greatly under-geared compared to its competitors, which means it could step. up its lending considerably.
According to Mr Trevor Brown,
controller of finance, the bank's ratio of weighted risk assets to capital (a key measure of bank strength) is a relatively high 13 per cent, against 8 per cent at the big clearers.

But Yorkshire already has: more money coming in than it can find suitable borrowers for. Deposits and other takings totalled over \$20n at the end of totalled over \$20n at the end of last year, but loans amounted to only \$1.8bn, meaning that the unused deposits had to be parked in the low-yield money markets. Part of the deposit surplus may be used to fund the \$100m or more which Yorkshire expects to lend in mortgages this year. But Mr Sunderland agrees that finding suitable avenues for growth 'is suitable avenues for growth a problem".

## Regional key to Trencherwood growth

PROFITS ADVANCE 35% TO £88.8m

Trencherwood, USM-quoted raise fresh capital in the near two regions was expected to always with an eye to the lonwest Berkshire property devel-oper, increased pre-tax profits which route to take. by 77 per cent from \$4.21m to This coul \$7.45m in the year to end-October 1987 on turnover up more this year or than a third to \$32.6m from gate added.

The total dividend is raised from 3.075p to 3.8p via an increased final of 2.75p (2.25p). Stated earnings per share rose from 14.64p to 23.70p after taking into account the one-for-one scrip issue earlier in the

Prudent land buying, strict financial control and a strong management team contributed to growth and Trencherwood was exceeding all targets for the current year, Mr John Norgate, the chairman said

This could coincide with a full stock market listing, later this year or early next, Mr Nor-

based bank owned by four

UK clearers, increased pre-tax profits by 35 per cent last year to £88.8m. The

group's capital and reserves rose 18.3 per cent to \$247.4m, and total assets

were up 15.2 per cent to \$2.4bn.

Mr Graham Sunderland,

general manager, ascribed the improved result to the

strength of both the retail

Mr Brian Eighteen, finance director, said the key to the performance improvement was its regionalisation programme, the benefits of which would be visible later this year, gathering momentum in 1989.

Continued high gross margins at around 28.2 per cent had

corridor, but has recently set up regional subsidiaries based Continued growth meant the in Southampton and Gloucester. company would be seeking to

rival that of dominant West ger term, has secured a solid Berkshire by 1990, Mr Eighteen land bank in one of the coun-

view to an eastern division.

try's most prosperous areas. It has a dominance of the West Trencherwood plans to set up Berkshire region which would a Midlands region later this make most companies compla-year and is looking to start cent, but is moving prudently strategic land buying in the into counties where the ripple Cambridgeshire area with a effects of the south-east prop-\$90m. Forecasts for the current year are for \$10m, giving a fair p/e of about 10.5. The prosmance, at the summit of most company going for a long-profit forecasts, confirms the awaited full listing or making a company as one of the stron- few key acquisitions, both of gest of the smaller specialists which were put on ice in the on the USM. Wise buying, wake of the October crash.

## lew to an eastern division. Expansion into the retirement felt. The commercial pro-

homes' market continued with 69 units sold against 20 in 1986. The current land bank owned or contracted for retirement homes is 200 units.

felt. The commercial promercial pro Trencherwood's fine perfor-

After tax of \$108,000 (\$43,000) net profits were \$109,000 (\$83,000) for earnings per \$1 share of Lip.
The group's investment
and development properties
held as fixed assets were

valued at \$24.33m at September 30. Net assets per share were £1.32 (£0.99). The directors intend to retain funds for investment and to expand and develop the property portfolio.

Jacqmar improves

Jacquar, Derbyshire-based dress fabric merchant wholly-owned by Selincourt, broke even in the six months to September 30 1987. Last time pre-tax losses amounted to \$91,000.

Turnover for the half year was \$9,000 (ni). Operating

#### First Security to buy 88% of Humanetics Ricardo Consulting Engi- was still not acceptable and neers reported taxable profits business opportunities were of \$262,000 for the half year to being pursued in the traditional consultations are and new areas

First Security Group, whose interests range from automotive electronics to security detection products, has announced that it is buying a ing 8 per cent and repayable controlling interest in Hamana. controlling interest in Humaneover seven years. There is an
tics, a Los Angeles-based comoption agreement over the
pany which makes and designs remaining equity, with the pur-

of the US company.

tics, a Los Angeles-uased pany which makes and designs dummies used in the crash testing of vehicles.

Subject to shareholders approval, First Security plans to pay a total of \$2.64m (\$1.52m) for the US business, and inject a further \$730,000 Cotober 31 1987 reached \$4.65m with pre-tax profits of \$1.2m.

First Security shares rose 5p to 250p yesterday.

**BOARD MEETINGS** 

## ASEA AB

FUTURE DATES

#### Shaftesbury in 72% profit rise to £0.22m

Shaftesbury, the property investment and development company which obtained a London listing last October, last October, has announced a 72 per cent increase in pre-tax profits for the year to end-Septem-ber 1987.

Net revenue from proper-ties amounted to \$1.06m (nil) and there was a \$550,000 surplus (nil) on sales of properties held as current assets. The pre-tax result came out at £217,000 (\$126,000).

Interest received amounted to \$24,000 (\$134,000) and there was other income of \$43,000. Administrative expenses rose from \$4,000 to \$335,000, interest charges moved ahead from \$4,000 to \$1.05m and there was an £82,000 share (nil) of asso-

yes 13,000 (m). Operating profits were \$2,000 (\$83,000 loss). Losses per share last time were 10.4p. The company's ultimate holding company is Storm-

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#### DEPOSITARY OFFICES

or in a naterior positive riminate executed by a bank including the trustee), banker, trust company or member of the New York. London or other recognized stock exchange certifying that on such date. Bonds bearing specified identification numbers were deposited with or exhibited to such bank, banker, trust company or stock exchange member. The signature on any proxy deposited as aforesaid must be witnessed or guaranteed by a bank (including the Trustee), banker, trust company or member of the New York. London or other recognized stock exchange.

Unjury of the proposed first supplemental Indenture setting forth the Amendments are available for inspection during nursual business hours at or can be obtained on application to any of the

for inspection during normal business hours at, or can be obtained on application to, any of the Depositary Offices. Forms of proxies and deposit certificates appropriate for use at the Adjourned Meeting or any further adjournments thereof together with instructions for voting by Bondholders at the Adjourned Meeting can also be obtained at any of the Depositary Offices.

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MORGAN GUARANTY TRUST COMPANY

Dated: February 17, 1988

NOTICE OF REDEMPTION To Holders of

#### U.S. \$100,000,000 GMAC Overseas Finance Corporation N.V.

Retractable Notes due April 1, 1997

Notice is hereby given that pursuant to Paragraph 9 of the Notes and Section 4(c) of the Fiscal and Paying Agency Agreement dated as of April 1, 1982 between the Corporation N.V. (the Company) and Chemical Bank. Fiscal and Paying Agent the Company hereby gives notice of its election to redeem all of its Retractable Notes due April 1, 1997. The date fixed for redemption shall be April 1, 1988 and the Notes will be redeemed at the price of 1007", of the principal amount thereof together with accrued interest to the date fixed for redemption. After April 1, 1988 the Notes will cease to accrue interest. The Notes will be redeemed upon presentation and surrender together with all apportenant coupons, if any, maturing on and after the date fixed for redemption at the principal office of the fiscal agent, Chemical Bank, 55 Water Street in New York City or at the principal offices of Chemical Bank in London, Frankfurt, Paris and Zurich and the principal offices of Banque Bruxelles Lambert S.A. in Brussels and Banque Generale du Luxembourg S.A. in Luxembourg.

GMAC Overseas Finance Corporation N.V.

Dated: February 17, 1988

#### Further asset Yearling bonds The interest rate for this week's issue of local authority bonds is 91% per cent, showing setback for

no change from last week, and compares with 10% per cent a Newmarket Co year ago.

The bonds are issued at par and are redeemable on February 22 1989.

Ricardo profits dive to

£0.26m at six months

end-December 1987, against engine area and new areas, \$927,000. Mr Douglas Taylor, such as transmissions, chairman, said the figures were

chairman, said the ligures were not strictly comparable due to the sale of G Cussons at the beginning of the present financial year a number of subsequent of the present financial year. In that period Cussons showed a pre-tax loss of \$121,000.

The second half of the 1986-87 year saw Ricardo with a poor trading profit, Mr Taylor and Rationalisation under-start.

taken at the end of that year had resulted in a significant increase in profits but the level nary share.

Newmarket Company, Bermuda-based venture capital con-cern listed on the Stock Exchange, reported a further

fall in its net asset value at the end of 1987.

Per 5 cent share the figure was \$1.90 against \$2.36 a year earlier and \$2.15 at the end of September. However, the chairman said the year-end result was a slight improvement on the level at November 5. The company's main role in

the present year would be to ensure that its unquoted portfoio continued to have adequate funding for growth until the new issue market showed signs of coming back to life. In 1987 total revenue came

out unchanged at \$1.07m (\$614,000). Total spending was \$2.98m (\$2.82m), for a loss of \$1.91m (\$1.74m).

After realised portfolio gains the loss for the period was \$1.88m (\$1.63m). Stated net loss per share was 5.3 cents (4.6 cents).

#### Year-end fall at Alexanders

Taxable profits of Alexanders Holdings, Scottish Ford main dealer, fell 10 per cent to £905,000 in the 12 months to end-September 1987.

Profits declined despite a 17

per cent upturn in turnover from \$58.1m to \$68.16m. After tax of \$302,000 (\$347,000). earnings per 10p share worked through at 1.46p against 1.61p

A single dividend of 0.73p is proposed for the year (0.71p).

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DM 400,000,000 6%% Bonds of 1988/1998

Issue Price: Interest: Repayment: Listing:

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61/2% payable annually in arrears on February 17 February 17, 1998 at par Frankfurt am Main

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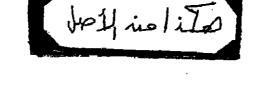
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91



# Eliminate the negative, accentuate the positive

David Thomas explains how the GEC-Plessey telecoms venture is radically overhauling its technological approach

organise their approach to engineering and technology -their product development,

standard setting, use of computer technology and so on. Yet a radical overhaul of precisely these functions is now under way in one of Britain's most important high technology companies, the new joint venture between General Electric Company and Plessey in telecommunications equipment, which will have

annual sales of about £1.2bn. Since the agreement in principle to merge was announced in October, teams from GEC and Plessey have been taking a fine tooth-comb to the tech-nology functions of both companies. These sprawl across more than a dozen sites and constituent businesses, such as private telephone exchanges, public exchanges, transmission and data communications equipment. They also straddle the different technological traditions which

littlesbur

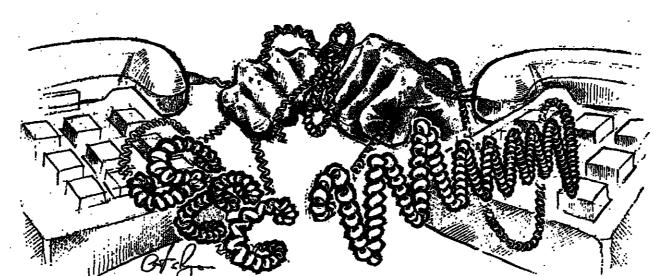
characterise the joint venture's two parents The merger has released engineers, normally fully stretched on day-to-day projects, to look at basic organisa-tional issues afresh. "Changes were under way in both companies, but the fact that we have to have a root-and-branch examination of all our operations has given us a good opportunity to do this,"

FEW COMPANIES ever have explains Martin Ward, the the time to undertake a com-plete rethink of the way they director of the joint venture, who came from the GEC sta-

> On the engineering front, this has involved looking at a function which will cost the joint venture more than £100m a year and tie up some 3,500 staff. In the past, Ward says, "by and large, each company has taken the view that each business should be able

to plough its own furrow."
This meant that each constituent business was responsible for its own equipment standards, component specification, documentation, design standards, project control, engineering accounting and so on. There was little common approach within GEC and Plessey, let alone between the two companies, although their joint development work on the System X digital public the System X digital public be quicker, requiring techni-exchange had led them to cal staff to be flexible enough adopt common standards and to move swiftly between projtools in that area.

In the past, Ward maintains, the diversity was not too great a problem, but telement has rendered inapprocommunications technologies priate some of the gold-plated and markets are beginning to attitudes considered good impose penalties on this lack practice in the past. "We used of technical coherence. Traditional demarcations between products, such as exchange example the tendency for and transmission extensions are engineers in different business." and transmission equipment, engineers in different busi-



product development has to having more of the work done

This fast-changing environare breaking down, putting a nesses to study all the capa-premium on a more unified approach to standards.

Also, with the market becoming the design (CAD) system. The duplication of effort this

centrally.
The joint venture's new

management concluded that some procedures could be put in place across the whole group quickly. These include a unified approach to project control, engineering accounting and reviews of the product portfolio, as well as improved quality procedures and formal design processes where they did not already

"We will be disappointed if we don't accomplish these objectives in the first three months," explains Richard

managing director. Other changes will occur more gradually, including progress towards a common range of components, documentation and part numbering across the group. These will be introduced as and when new projects allow. To move more rapidly would

mean premature obsolescence

of investment in areas such as

CAD tools and training in

design methods. The joint venture is conscious of the need to avoid pitfalls inherent in some of

database for the whole company, for instance, will allow standard designs, flowing through to economies of scale in component purchasing. But one of the problems of having a common database is the ease with which each designer can get into the database. We don't want two week delays," says Ward.

He aims to avoid such probputer systems, giving his engineers speedy access to a company-wide technical data-

against having a large centhereby reinforcing the pole tralised engineering depart-position of the businesses. ment. Not only would that have been bureaucratic and have cut against the grain of the existing traditions in the centre imposing its will on such matters on the businesses," Reynolds says.

setting out to make sure that even the small group of engineers at the centre will ting standards. We mustn't see standards as ends in my's technological thrust, themselves, rather than as while allowing most of the means to ends," Reynolds initiative to come from the

So the joint venture's central engineering department ket. will have a small permanent staff of 20-30 people. Even these will rotate; an engi-

This permanent core will be lent to perhaps another 40

the way GEC Plessey Tele- tre's work back to the busicommunications is to organise nesses. Some of the centre's its engineering function.

nesses. Some of the centre's specific jobs will also be con-The joint venture decided tracted out to the businesses,

Part of the centre's role will be to stimulate new products. a responsibility which Reynolds believes has to be shared by the company's engineers two companies. There is no and marketing specialists. historical precedent for the The centre will have a manager whose specific job will to be hurry new products along. Under the wing of the techni-Instead, the joint venture is cal director, it will also have a small fund to use as it thinks fit for new product

research, remain in touch with the must be relatively small nesses. "We don't want to \$10m.\$15m is the present give the people concerned thinking. Its task will be to with this the impression that there's a career for life in set-viding the "glue," as Reynolds puts it, for the new company's technological thrust. constituent businesses which are inevitably nearer the mar-

To reinforce the decentralised nature of the joint venture's technological approach, neer's typical stint at the cen-tre will be two to three years. Reynolds believes that not even the centre's own staff even the centre's own staff need work all in one place. lems through the flexibility offered by the latest comtions is putting in place a new company-wide voice and data people, whose job will be to network which will allow keep the central department members of the central engi-Also, with the market The duplication of effort this months," explains Richard these medium-term develop- base. Advanced computer in touch with market priori- neering function to work becoming more competitive, implies could be avoided by Reynolds, the joint venture's ments. A common component technology will also underpin ties and then to take the cen- miles apart from each other. neering function to work

JOE GARGARO, who is stitching together an information technology strategy for the GEC Plessey Telecommunications joint venture, is picking up a mixed inheritance from the two

On the one hand, staff in both GEC and Plessey are used to working with modern computing and telecommunications, as befits concerns trying to sell such systems to other businesses. "It would be difficult to find an area of the two companies where they haven't penetrated," says Gargaro, who comes to the joint venture from an information technology (IT) background in Plessey.

On the other hand, the joint venture is having to weave together a patch-work of different systems. In the past, IT was the responsibility of the various constituent businesses. "That is why we have an investment in so many different vendors. The businesses tended to take the opportunity

## Gargaro gets weaving on an IT patchwork

of buying what was available at the time," Gargaro explains.

So IBM features prominently at So IBM features prominently at GEC's centre in Coventry; Unisys is in evidence at Plessey's private systems facility in Nottingham; McDonnell Douglas holds sway at Plessey's public systems plant in Liverpool; while over in Florida, where Plessey's US equipment subsidiary is based, Hewlett-Packard is all the rage.

Add to that the Digital Equipment

Add to that the Digital Equipment Corporation minicomputers widely used by Plessey, the Apollo workstations favoured for design and the Unix systems used for software development, and you have some measure of the task confronting the joint venture in welding a coherent IT strategy.

The joint venture's top management

set down key objectives to be achieved by the rethink of its approach to information technology.

• Creating a single company-wide voice and data network, building on the 4,600 networked terminals in the two concerns at present.

This would allow management and technical data to flow quickly between desk-tops in the joint venture's many sites. It would also reduce the joint venture's dependence on GEC's and Plessey's own networks; in future, it would be more important to be able to communicate internally than with its parents.

 Forging a modern data base manage ment system, which would help the company accomplish some of its other goals, such as moving towards com-

• Greater efficiency in the use of information technology, which swallows £35m in current costs alone and keeps 710 workers busy across the joint venture. Richard Reynolds, managing director of the new business, hopes to get IT expenditure down to about 2.4 per cent of sales from its present 3.6 per cent in the next twoto-three years.

Managers in GEC Plessey Telecommunications are in the middle of reviewing their existing IT contracts and licence deals, and the relevance of their present systems to their new objectives. Gargaro does not believe the joint venture will standardise around one major computer vendor,

although he hopes to be able to choose a single design ("architecture") for a single function, such as office automa-

Gargaro and his team are also defining the elements of a unified voice and data network and a single electronic mail service, as well as planning an education programme for users of the new system and putting in place contingency plans to cope with security, computer breakdowns and so on. Two manned computer centres, plus a range of unmanned satellites, will be sufficient to cope with all eventuali-ties, Gargaro reckons.

To oversee the strategy, the joint venture has set up an IT executive committee, consisting primarily of non-technical line managers such as Reynolds and the managing directors of the constituent businesses.

The make-up of this committee, which will take the main decisions about the IT strategy, is designed to ensure that an efficient IT resource is seen as a company-wide priority. Below that will be an IT steering group made up of IT professionals from the individual businesses, plus a company IT co-ordinator reporting regularly to the finance director.

The joint venture has worked out a phased timetable to implement its entire programme over the next 15 months. "This has come at an opportune time. Both organisations put a lot of resources into their IT strategies 10-15 years ago. But both were getting a little old, needing revision," Reynolds explains.

\*Computer integrated manufacturing already exists in the joint venture, but now we can move towards the computer integrated enterprise,"



#### Why are high tech companies flocking to Livingston?

When high-tech companies like Burr-Brown, Unisys, NEC, Johnson & Johnson, Ferranti and Apollo Computer migrated to Livingston in Scotland they had powerful reasons for doing so.

Not least of which was the power supply itself.

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They can also enjoy financial incentives in the form of maximum investment grants.

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## Meat exporters' outlook worrying, says Gatt

FALTERING CONSUMPTION of US. Canada and Argentina cent slide in China, the biggest beef and veal in developed resulted from slowdowns in or producer. countries is clouding meat exporters' hopes of sustaining last year's strong recovery in world bovine meat prices through this year, says the General Agreement on Tariffs and Trade secretariat.

in its annual report on inter-national meat markets Gatt finds other reasons, also, for being apprehensive about the exporters' outlook.

These include low feedgrain prices, high stock levels in the European Community, the eco-nomic plight of many developing countries and even the impact of the stock-exchanges crisis last October.

The secretariat says that at first glance conditions would seem to favour a continuation lowed years of depressed

prices.
That revival was spurred by last year's fall, of between 0.5 per cent and 1 per cent, to 44.3m tonnes, in world beef and veal output.

Output fell by 4 per cent in the US, by 7 per cent in Canada, by 6 per cent in Argentina and by 20 per cent in Uruguay. In Argentina, however, exports

in the EC, cattle numbers fell by 3 per cent but heavier slaughtering kept output at the

ends to cyclical herd-cuts. It expects output to fall fur-ther or remain stagnant this

pleted cuts or started to rebuild

beef and veal in the 27 countries participating in Gatt's arrangement regarding bovine

Gatt says an important number of countries appears to have reached saturation level in mest consumption.

Factors favouring pig- and poultry-meat production even more than beef and veal include lower economic growth, health considerations adverse to red meat, and depressed feedgrain

World output of poultrymeat, which has risen by about 30 per cent this decade, recorded its biggest annual rise, 6 per cent, last year, to just more than 29m tonnes.

leading poultry-meat producer.
Among other meat types world pigmeat output dipped by 1 per cent last year to about Gatt says lower output in the 56m tonnes, following a 6 per

Sheepmeat output rose by 1 per cent, to 5.5m tonnes, due mostly to a 6 per cent rise in year in several big producing the EC, which with the acces-countries which have comsion of Spain and Portugal became last year the world's

However, against this further potential output fall, Gatt stacks a series of negative influences on prices.

The dairy-herd showed the biggest fall, prompted by EC introduction of dairy quotas in December 1986. Slaughter of female cattle

rose by 5 per cent. Slaughter of adult male cattle and calves EC exports of bovine mest. after reaching a record 1.1m tonnes in 1986, fell last year to about 900,000 tonnes of beef and yeal and 50,000 tonnes of

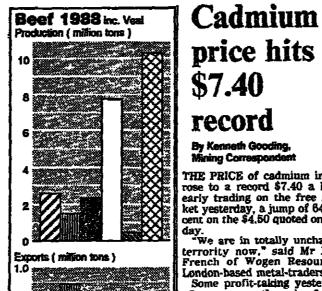
Intervention purchases under the Common Agricultural Policy at 452,000 tonnes largely exceeded sales. As a consequence, Gatt estimates, stocks at the end of last year totalled fecorded its biggest annual rise, at the circuit of last year, to just 750,000 tonnes, or 9 per cent more than 29m tonnes.

That was largely the result of a 10 per cent rise in the US, the leading poultry-meat producer.

The circuit of last year or 9 per cent higher than 12 months earlier.

Beef and veal imports last year to the Japanese market, where the US has been pressing for the lifting of curbs, rose by more than a quarter, to 144,000

live cattle.



Argentina Brazil C EC

announced a rise in the global quota, to 214,000 tonnes for the vear to this March 31. Gatt records a rise in Japa nese consumption to about 880,000 tonnes, from 829,000 tonnes in 1986, and sees a further advance to 930,000 tonnes

The International Markets for Meat 1987-88. Gatt Secretarial,

## tonnes. Last August Tokyo Geneva 21. SF7 12.

## Argentine price deregulation call grows

THE LIFTING of cattle price controls in Argentina last week, cautiously welcome by ranchers and traders, has spurred other farmers, and downstream industries, to demand similar deregulation across the agriculrural sector.

The demand could create havoe with government attempts to control inflation. Cattle-ranchers' representament by Mr Enrique Figueras,

He said maximum prices were no longer to be applied in Argentina's main cattle market at Liniers in Buenos Aires and that prices would be fixed by the free play of supply of and demand for live cattle through the market

The move followed mounting evidence of widespread over-pricing, in effect a black mar-ket.

In this, deals were made at maximum prices, for the sake of official records, while an extra sum was paid unofficially to attract an adequate supply of cattle to the capital's main meat-packing plants.

Prices surged by almost 20 per cent with the lifting of con-

However, the caution stems from the unusual manner in which the announcement was

IRAN WAS willing to pay more for New Zealand lamb and wanted a four or fiveand wanted a four or live-year contract for about 110,000 tonnes annually, said Mr Colin Moyle, New Zealand's Agriculture Minis-ter, reports Reuter.

He was speaking in Auck-land after visiting Tehran to sign a memorandum of understanding on trade

It came by telephone-call from the Agriculture Minister to the organisation that oversees cattle trading at Liniers, instead of by an offical communique either from the Agriculture or Interior Commerce Ministries. The latter administers all price-controls across the conomy.
As yet there is still no legal

basis for the lifting of controls and there is suspicion they may be reimposed if prices rise too The problem stems from dif-

ferences within the Government, especially between Mr Figueras and Mr Ricardo Mazzorin, the Interior Commerce Min-ister, over the convenience and timing of deregulation.

Mr Figueras holds a sympa-thetic position towards the farmers. They have battled with price-controls since introHe said: "We export more than NZ\$300m-worth of products to Iran a year and that will probably increase considerably in future. Our imports from Iran are negli-

gible.
"Iranians are convinced we are the most reliable and best suppliers of sheepmeat and dairy products. They don't want to go sny-

duction of the ill-fated Austral Plan in June 1985 and seen catthe farming profitability fall sharply over the past decade. That was reflected last year in a further fall in the cattleherd to just below 50m head, the lowest level since 1971, while breeding stock culling has continued at a high rate.

Mr Mazzorin, however, is more concerned with the effect

of price deregulation on the inflation rate, a subject also close to the hearts and minds of the Economy Minister and, indeed, most of the Govern-

Meat and meat products make up 15 per cent of the weighted value of the consumer price

Previous

1243-7 1163-4

1429-3 1287-8

averaging 16 per cent have been authorised by Mr Mazzorin in the past week but controls are being maintained on beef and beef products.

That has led the Argentina Meat Packers Association to complain that there is an evi-dent contradiction and a lack of economic rationality in the measure in that it frees cattle prices but continues controls on the downstream products.

Wine prices were also deregulated last week. At the same time sugar producers obtained a court order against the Inte-rior Commerce Ministry. This obliged it also temporar

ily to lift sugar price controls, until a judicial ruling can be made on a case brought by the sugar producers, against the Government, on the legality of controls when the sugar indus try is suffering heavy losses. Papermakers in the northern province of Tucuman, where paper is made from sugar cane bagasse, are also now pushing for a lifting of price controls and considering the possibility of legal action against the Gov-

The Government's aim to value of the consumer price index in Argentina and so any price controls this year thus sharp rise in the cost of cattle already looks in danger of being has significant effect on the stampeded into a deregulation free-for-all – with the cattle -

1260-1 1176-7

1441-3 1301-2

1390-5 1270-80

632-4 642-5

1185/1150

WORLD COMMODITIES PRICES

(Prices supplied by Amalgamated Metal Trading)

AM Official Kerb close Open Interest

1291-3

Ring turnover 2,075 tonne

Ring turnover 37,100 tonne

Fling turnover 38,575 tonine

45,792 lots

70.820 lots

Ring turnover 25 tonne

33 lots

Ring turnover 0 ozs

10.880 lots

#### price hits \$7.40 record By Kenneth Gooding Mining Correspondent

THE PRICE of cadmium ingots rose to a record \$7.40 a lb in early trading on the free mar-ket yesterday, a jump of 64 per cent on the \$4.50 quoted on Fri-

day.
"We are in totally uncharted terrority now." said Mr Nick French of Wogen Resources, London-based metal-traders. Some profit-taking yesterday afternoon saw the price fall to \$6.80 but a fresh surge of demand from New York took it back to \$7 by the close.

The metal's fortunes have changed completely with the success of nickel-cadmium batteries which is currently fuel-

ling demand.
Nine months ago the price was \$1 a lb. The previous peak was \$5.10 in May 1974. World Bureau of Metal Statis-tics figures show the shortfall in output compared with con-sumption widened last year to about 160 tonnes a month, com-pared with 70 tonnes in 1986. Annual output is about 15,000 tonnes. It is unlikely to be increased significantly because all cadmium is a by-product of zinc-mining.

The cadmium price quoted below is the Metal Bulletin price as of last Friday, which is used widely in contract negotia-tions.

#### WEEKLY **METALS**

All prices as supplied by Metal Bulletin (last week's prices in brackets). ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 2,290-2,320 (2,290-2,330).

BISMUTH: European free market, min 99.99 per cent, \$ per lb, tonne lots in warehouse, 5.25-5.50 (5.00-5.20). CADMIUM: European free market, min 99.95 per cent, \$ per lb, in warehouse, ingots 4.50-4.80 (4.90-4.10), sticks 4.50-4.80 (4.90-4.10).

COBALT: European free mar-ket, 99.5 per cent, 8 per lb, in warehouse, 6.85-7.05 (7.00-

MERCURY: European free market, min 99.99 per cent, 5 per 76 lb flask, in warehouse, 25-310 (305-315).

MOLYBDENUM: European

free market, drummed molybdic oxide, \$ per lb Mo, in ware-house, 3.18-3.23 (same). SELENIUM: European free market, min 99.5 per cent. 8 per lb. in warehouse, 9.60-9.80

area had added more than TUNGSTEN ORE: European 1.2bn barrels to the country's proven reserves of light and free market, standard min 65 per cent, \$ per tonne unit (10 proven reserves of light and medium crudes with a low sulphur content, Mr Chacin told the Institute of Petroleum. cif, 2.80-2.90 (same).

URANIUM: Nuexco exchange value, \$ per 1b, U:Os, 16.30 (16.65). "Initial results indicate the existence of giant accumulations of petroleum in the north-east part of the country,"

consumers, to supplement levy-free quantities sent to dairies.

Escondida sells 70 per cent

copper output.

copper output.
Partners in the project are
Broken Hill Proprietary (BHP),
the Australian natural
resources group, with 60 per
cent; RTZ Corporation, the UK
mining and industrial company,
30 per cent: and a lapanese

30 per cent; and a Japanese consortium led by Mitsubishi Corporation, 10 per cent.

The project is expected to be given final approval this year

Seven Japanese smelters will

33,000 tonnes, and Belgians an extra 7,000 tonnes of milk

Venezuelan oil 'to rise'

exempted.

of proposed copper output ANOTHER HURDLE has been and El Teniente (370,000 once financing arrangements cleared by Escondida, potentonnes). sales agreements concluded. It will account for about 4.5 per cent of the western world's

Investment in the project up to completion is put at US\$1.1bm.—Escondida was discovered high in the Atacama Desert of northern Chile in 1981.
Under current plans the porphyry copper deposit will be mined by the open-cut method, concentrated and sent as shirry through a pipeline to the port at Antoragasta, 98 miles

(150km) to the north-west.
About 320,000 tonnes of coptake 6.2m tonnes of copper con-centrates over a 12-year period starting in 1991. The other 1.9m tonnes will go to West German and Finnish customers. per contained in concentrates is expected to be produced each year over a mine-life of 52 years. Minor quantities of gold,

silver and molybdenum will also be produced.

First phase

tin appeals

THE FIRST phase of the

appeals stage of the tin litiga-

Appeal yesterday.

After four weeks - two lon-

ger than estimated - the court finished hearing the challenges by two creditors of the insol-vent International Tin Council

to High Court rulings that the

By Raymond Hughes, Law

ends in

#### Row erupts over EC milk quota concession

cleared by Escondida, poten-tially the most significant cop-

per project for the 1990s and

one destined to keep Chile as the world's biggest and lowest-

Yesterday the project's part-

ners said letters of intent had been signed for the purchase of 70 per cent of Escondida's pro-

posed output to customers in Japan, West Germany and Fin-land.

Escondida, when developed,

with an annual output of 320,000 tonnes of copper con-

centrates, will be the world's

third-largest copper mine, after two other Chilean producers – Chiquicamats (520,000 tonnes)

cost producer.

A DISPUTE has erupted over the European Commission's proposal last week to ease rules governing milk quotas for France, West Germany and Bel-

The move was announced in Brussels during the summit talks last Thursday.
It means French farmers can produce a further 100,000 tonnes, Germans an extra

without paying the so-called without paying the so-called superlevy on excess output.

At 100 per cent of the producer-price this penalty is proving a highly effective disincentive to surplus production.

At Ecu278 a tonne it would be worth Ecu40m(\$27m) to the European Community's budget if charged on amounts now if charged on amounts now

THE STATE corporation Petro-

leos de Venezuela plans to raise output from its recent oil dis-

coveries in north-east Vene-zuela to more than 500,000 bar-

rels a day in the early-1990s,

Mr Juan Chacin, corporation president, said in London yes-

This volume would be about a

third of Venezuela's 1.57m b/d

quota under Opec's current production pact. It would radically

change the company's exports

Development in the El Furrial

balance.

tas for so-called direct sales to

It was yesterday bitterly cor demned by a leading Dutch dairy body.
Privately, senior European
Commission officials are

thought to be embarrassed:

The announcement was made during the crucial summit talks on budget stabilisers. To acknowledge it contra dicts official commission policy that "no further transfers from

ITC's members are not liable for its \$900m debts.

Today it will begin hearing appeals against the High that "no further transfers from direct sales to deliveries should be contemplated."

Mr Jacques Delors, the com-mission's French president, publicly justified the decision last week on grounds it would largely benefit small mountain-producers "who are an impor-

producers "who are an important means of preserving rural The concession was achieved life and who do not have by transferring the unused quo-

Venezuela wants to obtain a

higher-per-barrel return on oil

medium crude have been far out-weighed by sales of heavy, which have run at about

• Total, the French oil com-

700,000 b/d.

cheap, oil.

CRUDE Oil (Light) 42,000 US galls \$/barrel

#### Court's refusal to wind-up the council or to appoint a receiver of what is alleged to be one of its assets. The second set of appeals is

expected to last well into next month, after which the three judges are likely to take several more weeks considering their judgments on the whole matter.
The expectation is that the litigation will then move to the House of Lords for a final rul-ing, probably in about 12 months' time, by the Law

For the past four weeks the argument before the appeal court has centred on the precise legal status of the council and exports. In recent years ship legal status of ments of 140,000 b/d to its relationship bers — the UK 80,000 b/d to 90,000 b/d of and the EC. its relationship with its mem-bers - the UK, 22 other states

Two London tin traders have tried to sue the member-states for the money. They are J.H.Rayner (Mincing Lane), a \$16m creditor of the council, and Maclaine Watson, owes, and Maclaine Watson, they the 26m. The states other than the UK claim sovereign immunity.

Observers say such a switch could be opposed by the company's traditional customers which have refining-plant geared to its heavy, relatively Both cases failed at prelimi-Total, the French oil com-pany, has made a promising oil discovery in its Shukheir was a distinct legal entity sepa-marine permit area, Gulf of rate from its members and that Suez. Two exploratory wells yielded 5,500 b/d and 1,500 b/d, said to be of excellent quality, of 42 to 43 degrees API gravity.

Chicago

6.33.5

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Bearing Street S

**LONDON MARKETS** 

THE LONDON Metal Exchange nickel market's relentless upsurge continued yesterday as supply worries and low red uppermost in £167.50 rise to £8.717.50 a tonne extended the latest bull run to six trading days, during which time the price has climbed more than 2700. In contrast the aluminium market's strong advance ran out of steam after establishing new price records during the day. The cash high grade position ended the day unchanged retracement had been expected following the \$170 rise of the previous five trading days and sellers were encouraged by news that the dispute

threatening production at Norsk Hydro aluminium smelters had been set

noting that stocks in LME warehouses were at the lowest level for seven years. SPOT MARKETS Crude oil (per barrel FOB) \$15,80-5,902 -0.10 W.T.L(1 pm est) \$16.67-8.72z n/a Oil products (NWE prompt delivery per tonne CIF) Gold (per proy oz)4 639c \$486.75 \$120.25 r (per troy oz)& num (per troy oz) \$2255 112%-1186 35.50c 400c £3885 Nickel (free market) Tin (Kusia Lumpur market Tin (New York) Zinc (Euro. Prod. Price) Zinc (US Prime Western) 317.00c 45.375c +0.825 Cattle (live weight)† Sheep (dead weight)† Pigs (live weight)† +0.55° -1.25° +2.28° London daily sugar (raw) 5223.40w London daily sugar (white) \$230.50w Tate and Lyle export price \$237.00 Barley (English teed) Maize (US No. 3 yellow) Wheat (US Dark Northern) £109.50z £135.00 Rubber (spot) P Rubber (Mar) P Rubber (Apr) P 62.75p 66.75p Rubber (KL RSS No. 1 Mar) Cocorut oil (Philippines)§ \$535,00x Palm Oil (Malaysan)§ \$412,50x Copra (Philippines)§ \$370,00w Soyabeans (US) £158,00w +7.50

578p

COCOA E/IDINA Previous High/Low 1038 1060 1083 1102 1127 1158 1176 1055 1037 1078 1059 1100 1083 1120 1102 1144 1126 1185 Turnover:4068 (2062) lots of 10 torses (CCO indicator prices (SDRs per tonse), price for February 18: 1340.01 (1340.67) .10 average for February 17: 1332.14 (1334.77). COFFEE Shoops SUGAR S per tonne Close Previous High/Low 189.00 185.20 191.80 186.80 Close Previous 230.00 230.00 228.50 229.00 230.60 229.20 231.00 230.00 229.50 227.00 230.00 228.00 233.00 233.00 234.00 238.00 Close Previous High/Low 135.50 135.25 135.25 135.76 134.50 135.50 134.50 134.50 135.00 135.50 134.75 136.50 135.00 136.00 135.25 138.03 136.25 Turnover: 788 (2027) lots of 100 tonnes

Continuing nearby supply tightness had influenced the early firm tone, they said, Turnover: 6447 (1903) lots of 5 tormes ICO indicator prices (US cents per pound) for February 12 Comp. daily 1979 127.73 (121.55); 15 day average 117.77 (117.40). oss (709) .
Paris- White (FFr per tonne): May 1327, Aug 1344,
Oct 1335, Dec 1335, Mar 1370, May 1380. GRAINS EXOTER Wheat Close 106.20 108.75 111.30 111.40 101.70 103.60 105.75 107.75 111.35 111.15 101.70 103.60 106,75 107,75 Close Previous High/Low 104.00 104.75 106.00 106.60 97.35 97.30 100.00 99.90 102.10 102.00 104.45 104.35 104.75 104.00 £ a tonne unless otherwise stated, p-periosfor, c-carls/lb, r-mggit/leg, w-Feb/Mar, z-Mar, u-Apr/May, x-Mar/Apr, y-Apr. † Meat Commission average lassock prices. \* Change from a week ago. ♥ London physical market, SCIF Rottscant, ♣ Bullions and the state of the st

Close , 99.7% purity (5 per tonne un,99,5% purity (£ per tonne) 1226-30 1151.5-2.5 Copper, Grade A (£ per tonne) Cash 1440-3 3 months 1302-4 Silver (US cents/fine ounce) Cash 632-5 3 months 642-5 Lead (2 per tonne) Cash 375-7 3 months 346-5-7 Apr May Nov Feb Apr 100.00 99.90

375-6 346-7 358-60 342-3 375 347/344 Nickel (\$ per tonne) Ring turnover 1,272 tonne 9,478 lots Zinc (E per tonne) Cash 509.5-10.5 Fling turnover 9,200 tonne 509-10 514-15 3 months 513.5-14 517/512 516-16.5 512-13 12,086 lots LONDON BULLION MARKET POTATOES 1/10/100 Gold (fine az) S price £ equivalent High/Low 445%-445% 443%-444% 444.25 445.00 445%-445% 443%-444% 254 4-254 h 255-255 h 255-345 254-312 146.50 147.40 164.00 186.00 95.50 96.80 103.50 107.00 142.10 143.10 148.00 146.30 143.00 142.00 Turnover: 318 (230) lots of 100 tonnes. \$ price SCYABEAN NEAL E/tonne 261 \(\times - 264 \times \)
261 \(\times - 264 \times \)
261 \(\times - 264 \times \)
253 \(\times - 138 \times \)
87 \(\times - 72 \)
261 \(\times - 264 \times \)
276 \(\times - 80 \times \)
275 \(\times - 279 \times \)
275 \(\times - 279 \times \) Close Previous High/Low 130.50 126.50 128.00 233-242 118-126 457-452 471:-521: 1041:-1054 1044:-1061: 124.50 126.00 124.00 125.00 125.50 130.00 128.00 130.00 Turnover: 150 (205) lots of 100 tonnes FREIGHT FUTURES \$10/Index point Previous High/Low 1570.0 1551.0 1415.0 1403.0 1430.0 1419.0 1405.0 1397.0 1545.5 1544.0 US ats equity p/fine oz 1570.0 1547.0 364,40 372 85 381,70 401,15 635.00 645.95 1430.0 1415.0 657,45 683.15 LONDON METAL EXCHANGE TRADED OPTIONS Aluminium (99.7%) Strike price \$ tonne Mar May Mar May COTTON
Liverpool - Spot and shipment sales for the wask ending February 12 amounted to 414 tonnes against 699 tonnes in the previous week. Moderate trading occurred with interest in Palastani and West African growths. Atuminium (99,5%) February/March c and I Dundee BTC \$535, BWC \$525, BTD \$480, BWD \$450; c and I Antwerp BTC \$510, BWC \$500, BWD \$445, BTD \$455. Copper (Grade A) 272

#### **US MARKETS** Precious metals were quiet, dominated by local activity and on balance easier on bank selling with light short-covering

towards the close, reports Draxel Burnham Lambert, Copper was firm on fund buying. Crude oil was quiet, easing rund ouyrig. Chioe of was quet, easing on light commission house and local selling with most activity confined to the March/April spread. Coffee fell sharply on trade profit-taking and speculative liquidation of the March contract in advance of first notice day on Friday Cocoa eased on speculative liquidati Sugar firmed on trade and commission thouse buying. Cattle tutures were firm as traders squared positions in advance of yesterday's cattle-on-feed report. Hogs were steady, despite heavy runs at terminals, as the market anticipated higher cash prices as reports indicated ver-than-expected runs in the country. Pork bellies eased in response to weaker cash prices on an otherwise lacklustre day. The grains were lower across the board, reflecting lack of

export business, easier cash premiums and tack of sustained interest.

## New York

GOLD 100 troy oz.; \$/troy oz. Close 445.3 446.9 448.7 453.3 458.0 463.0 468.0 473.3 444.0 446.5 446.3 451.1 456.0 451.5 466.0 471.0 445.0 447.5 448.5 453.0 PLATINUM 50 troy oz; \$/troy oz. Clase Previous High/Low 487.8 472.6 478.1 483.6 490.1 468.5 473.5 479.0 484.5 491.0 470.4 475.0 480.0 463.5 SELVER 5,000 troy oz; cents/troy oz. Previous High/Lov 637.0 637.0 639.0 642.9 647.5 665.6 863.3 676.0 679.7 643.5 645.0 653.0 665.5 674.5 700.0 COPPER 25,000 lbs; cents/lbs Close 105.86 108.75 105.86 102.85 98.85 194.85 86.70 83.20 80.70 80.30 79.70 79.70 96.50 89.00 85.25 81.30 92.00 87.00 84.50 0 92.20 87.20

#### Previous High/Low Previous High/Low 16.60 16.60 16.50 16.40 16.31 16.21 16.20 16.15 HEATING OIL 42,000 US galls, cents/US galls 46.20 45.35 44.60 44.15 44.15 44.50 45.40 48.60 45.83 44.90 44.50 45.00 45.70 45.85 45.75 44.90 44.40 44.45 0 45.40 May Jul Aug Sep Oct Dec Jan Close Previous High/Low 1678 1726 1757 1785 1811 1844 1870 1660 1705 1737 1764 1798 1833 1858 1694 1743 1770 1794 1810 1841 1875 May Jul Sep Dec Mar May 185.4 183.9 184.6 186.6 186.7 187.0 188.0 188.7 1800 1835 1875 Mar May Jul Aug Sep Oct Dec Jan COFFEE "C" 37,500/bs: cents/lbs Previous High/Low 136.02 138.91 141.20 143.30 146.50 147.25 147.50 138.14 140.77 142.59 144.70 145.99 147.00 148.00 139.00 141.50 143.15 144.75 147.00 147.80 135.70 138.60 140.50 142.30 145.05 147.75 Mar May Jul Sep Dec Mar May 198/2 204/4 206/6 212/4 215/2 222/4 225/6 SUGAR WORLD "11" 112,000 lbs; cents/lbs 8.70 8.63 8.43 8.40 8.40 8.49 8.60 8.49 8.37 6.19 8.18 0 8.49 0 8.28 0 May Jul Sep Dec Mar 331/0 335/0 333/0 336/6 347/4 350/0 8.31 COTTON 50,000; cents/los Close Previous High/Low 61.70 82.48 62.55 60.27 59.18 60.20 60.75 62,45 60,15 58,90 60,65 0 59.75 60.85 Feb Apr Jun Aug Oct Dec Feb 72.27 70.47 67.95 66.92 67.22 67.10 80.85 ORANGE JUICE 15,000 lbs; cents/lbs Close Previous High/Low 166.10 160.85 159.75 158.25 158.25 154.25 154.25 154.25 154.25 168.50 164.75 163.00 161.60 156.95 156.50 156.50 752.90 161.50 181.00 158.00 0 0 0 47.57 45.30 48.35 48.40 47.27 42.55 43.16 43.10 REUTERS (Base: September 18 1931 - 100) Feb 12 Feb 11 mnah ago yr ego 1765.9 1762.5 1735.4 1614.9 DOW JONES (Base: December 31 1974 = 100)

#### SOYABEAN Off. 60.000 fbs; cents/fb 21.38 21.50 21.85 21.86 21.87 21.90 22.00 21.97 21.13 21.43 21.70 21.75 21.82 21.80 21.90 21.91 21.33 21.83 21.85 21.95 21.90 22.00 EAN MEAL 100 tons; S/ton Previous High/Low 183.6 184.0 185.0 187.2 187.5 187.5 189.0 189.0 189.0 187.0 MAIZE 5,000 bu min; cents/56tb bush 201/0 207/0 211/2 213/6 217/2 224/2 228/2 204/2 208/4 212/4 215/0 222/2 225/6 WHEAT 5,000 bu min; cents/60th-bushel Close Previous High/Low 333/6 \$37/0 333/4 337/0 347/4 350/0 330/0 333/2 330/0 234/4 346/0 346/0 LIVE CATTLE 40,000 fbs; cents/fbs 71.85 71.75 70.05 67,50 66.45 68.72 66.85 71.97 72.47 70.65 68.00 67.02 67.40 67.15 71.82 69.85 87.45 86.50 66.80 86.85 LIVE MOGS 30,000 ib; cents/lbs 46.97 44.80 47.90 47.90 48.92 42.50 43.00 43.05 44.90 48.07 48.07 46.92 42.57 43.15 42.75 47.50 42.95 43.40 43.10 PORK BELLES 38,000 lbs; cents/fb Close Previous High/Low 55.90 56.15 57.77 56.22 56.52 56.35 56.75 58.22 58.60 57.10

مكذا من الاعل

Financial Times Wednesday February 17, 1988

#### CURRENCIES. MONEY AND CAPITAL MARKETS

against PFr5.7650 and SFr1.4020 compared with SFr1.4035. On Bank of England figures, the dollar's exchange rate index was unchanged at 05.5

six months ago.

There was no intervention by the Bundesbank at yesterday's fixing when the dollar rose to a three-month high of DM1.7132, up from DM1.7078 on Monday.

Trading was restricted by the

Trading was restricted by the early closure of many banks for

local holidays, and traders seemed content to await some

fresh direction, either after the start of trading in New York, or

today on the release of US eco-nomic data.

**FOREIGN EXCHANGES** 

1)[[[

## Better sentiment for sterling

STERLING FINISHED towards its best level of the day, as the market gave its qualified approval to yesterday's eco-

still good reason to be cautious, according to Mr Chris Tinker, an analyst at Phillips and Drew. The cumulative surplus of \$6.9bn so far this fiscal year was likely to be reduced before the end of the finencial point. or analyst at Phillips and Drew. The cumulative surplus of \$6.9bn so far this fiscal year was likely to be reduced before the end of the financial period, he added. This suggested that although Chancellor Nigel Lawson would probably enjoy a greater margin of flexibility.

production rose by 0.6 p.c. in December giving a year on year rise of 4.9 p.c. against 3.8 p.c. in November. While manufacturing output slipped by 0.35 p.c. in December, the annualised rate was still up by 5 p.c. compared with 5.4 p.c. in November.

But analysts were again cau-tions, pointing out that this series of figures were usually subject to substantial revision. In addition tomorrow's bank lending figures are expected to paint à less rosy picture.

٤	M	NEW	YORK
_	_		

Feb.16	(alex	Previous Close
£ Spot	1.7405-1.7415 0.33-0.30pm 1.16-1.12pm 4.32-4.22pm	1.7400-1.7410 0.33-0.30pm 1.14-1.11pm 4.30-4.20pm

#### STERLING INDEX

Feb		revious
10.00 am 74 11.00 am 74 Noon 74 1.00 pm 74 2.00 pm 74	1	74.1 74.1 74.1 74.2 74.2 74.2 74.2 74.2 14.2

**CURRENCY RATES** 

Feb.16	Bank rate	Special Drawing Rights	European Currency Unit
Sterling U.S Dellar Canadas S Australe Sch Belgon Franc Darsch Krone Deutsche Mark Nedt Gelder French Franc fraken Lira Lapianes Ven Spanish Peset Spanish Peset Spanish Peset Lirish Poet Lirish Peset	65.73 67.72 77.73 61.21 20.22 77.72	MIA NIA NIA NIA NIA NIA NIA NIA NIA NIA N	0.692313 1.20566 1.53204 14.5041 43.2322 7.89347 2.06614 2.51962 6.97717 1520.34 157.098 1.79943 1.59556 1.69576 164.862 0.776294

**CURRENCY MOVEMENTS** 

		_
Feb.16	Bank of England ladex	Morgen ** Guaranty Changes %
Sterion U.S Dollar Canadam Dollar Canadam Dollar Austrian Schildring Belgiam Franc Domish Krone Domish Krone Domish Blart Swiss Franc Gwiss Franc Freuch Franc Lon	74.3 95.5 79.9 139.9 100.3 93.3 848.8 177.3 137.5 71.6 46.9 238.3	
Morgan Guaranty 1982=100, Bank of E		

OTHER CURRENCIES

Arcretes	9 9290-10 0220	5.7000-57500
Austraba	2.4375-2.4405	1.3995-14005
Brazil	156 95-157 80	90.0880-90.5380
Finland	7.2170-7.2300	4,1450-41470
Greece	235.90-240.00	135.25-138.05
Hone Kons	13,5670-13,5830	7.7900-7 <i>7</i> 930
F.10	139.40	67.45
Korea/Sth)	1544 50 1356 65	770 20-776 40
Kun-24	0.48330-0.48340	0.37725-0.37735
Langerbourd .	62.45-62.55	35.70-35.90
Malarsia	4 5065-4.5180	2.5890-2.5920
Mesics	3475.25-3991.50	2282.00-2290.00
N Zealand	2 6090-2 6140	1.4975-1.5000
5800 År	6.5375-6.5385	3 7500-3 7510
Sippagore	35115-35105	2.0170-2.0200
S AT (Cml	3.6410-3.6585	2.0930-2.0975
S. Al (Fa)	4,9020-5.0490	2.8176-2.8985
Talean	49.75-50.00	28.53-28.65
U.A.E	6.4030-6 4040	3.6725-3.6735
	*Selflog rate	

MONEY MARKETS							
	*Selling rate						
Sippapore S. Al (Cm) S. Al (Fn) Talean U.A.E.	3.5715-3.5185 3.6410-3.6585 4.9070-5.0490 49.75-50.00 6.4030-6.4040	2.0170-2.0200 2.0930-2.0979 2.8178-2.8985 28.55-28.65 3.6725-3.6739					
Larentourg	62.45-62.55 4 5065-4.5180 3475.25-3991.50	35.70-35.80 2.5890-2.5920 2282.00-2290.0 1.4975-1.5000 3.7500-3.7510					
Kunda	0.48330-0.48340	0.37725-0.377					

## UK rates ease

THE SLIGHT downward drift in hands, repayment of late assis-interest rates continued on the tance, and a take-up of Trea-landon money market yester-sury bills drained £342m. This landon money market yester-day, encouraged by a surpris-ingly high repayment in the January I'K Public Sector Bor-rowing Requirement, and the strength of sterling against the D-Mark Three-month interbank Cased to 9%-9% p.c. from cased to 91/4-94/4 p.c. from 91/4-91/4 p.c.

Credit conditions were very comfortable, with dealers com-

## UK clearing bank base tending rate 9 per cent from February 2

menting that institutions are generally long of cash at pres-ent, reflecting doubts about the future direction of the financial

markets.

A main concern is about tomorrow's January bank lendtomorrow's January bank lendto ing, although a high figure is Carnival holiday period. Banks already discounted. On the same day dealers will also increase reserve holdings at the watch carefully for any rise in Bundesbank. These averaged the underlying level of average DM53.9bn for the first 11 days

The Bank of England initially expectations of a minimum furciant a flot money market DM54bn requirement. In New York the Federal shortage of \$100m at noon.

shortage of \$100m at noon.

The authorities did not operate in the market before lunch, but in the afternoon bought chuse agreements. The Fed 57m bank bills in band 4 at 8% added money as Federal funds rose to 6% n.c. from an average to 6% n.c. from an aver-

rose to 6th p.c., from an aver-Bills maturing in official age of 6% p.c. on Friday.

Sterling's exchange rate index finished at 74.3 up from 74.1 at the opening and 74.2 on Monday night. Dealers at one major failed to make any serious day night. Dealers at one major failed to make any serious bank reported good demand for sterling up to DM2.9860. A large number of stop loss orders were content to bide their time however, with several more key figures due between now and the Budget on March 15.

UK PSBR for January showed a net repayment of \$6.3bn, which was above most expectations. Nevertheless there was still good reason to be cautious, according to Mr Chris Tinker, an analyst at Phillips and Drew. The cumulative surplus day night. Dealers at one major failed to make any serious bank reported good demand for sterling up to DM2.9860. A large number of stop loss orders were positioned at DM1.7080 compared with DM2.9870 and traders suggested that a break above where it finished at PFr5.7725 against FFr5.7650 and SFr1.4020 compared with SFr1.4035. On Bank of England figures, the dollar's exchange rate index was unchanged at also higher against the dollar at the pound of the DM1.72 level, peaking at DM1.7070 previously and Vi30.20 against Y130.05. Elsewages and traders still good reason to be cautious, according to Mr Chris Tinker, an analyst at Phillips and Drew. The cumulative surplus day night. Dealers at one major strength.

he added. This suggested that although Chancellor Nigel Lawson would probably enjoy a greater margin of flexibility, calls for a reduction in taxation had to be balanced against fears of possible overheating in the economy.

Recent figures suggest that the UK economy was extremely brownt in 1987. UK industrial production rose by 0.6 p.c. in December giving a year on year rise of 4.9 p.c. against 3.8 p.c. trade deficit would improve later this year.

US data due today include

EMS EUROPEAN CURRENCY UNIT RATES									
	Ecu Central rates	Currency amounts against Ecu Feb.16	% change from central rate	% change adjusted for Giveryonce	Divergence Halt %				
Beignan Frant Danish Krone German D-Merk French Franc Dutch Guilder Irish Punt Italian Lira	42,4582 7,85212 2,05853 6,90403 2,31943 0,768411 1483,58	43.2321 7.89347 - 2.06614 6.97717 2.31982 0.776294 1520.34	+1.82 +0.53 +0.37 +1.06 +0.02 +1.03 +2.48	+1.04 -0.25 -0.41 +0.28 -0.76 +0.25 +2.15	#1.5344 #1.5404 #1.0981 #1.3674 #1.5012 #1.6684 #1.0752				

Mailan Lira	<del></del>   1	<b>48</b> 3.58   15	20,34   +2	.46	+2.15	<b>±1.075</b> 2
Changes are Adjustment co	or Eco, therefore ilculated by Florage	positive change de sai Times.	moles a weak cu	персу	<del></del> .	
POUND	SPOT- FO	RWARD	AGAINST	THE P	OUND	
Feb.16	Day's spread	Close	One month	P.E.	Three months	a a
US Canada	1.7370-1.7500 2.2073-2.2208	1.7475-1.7485 2.2150-2.2160	0.29-0.26cps 0.06d-0.04cps	1.89	1.00-0.95pm 0.28-0.16pm	0.

JS 17370-1.7500   1,7475-1,7485   0,2	9-0.26cpm 1.89	1.00-0.95mm	
20073-2208   22150-22160   0.06	d-0.04 cpm	0.28-0.1.6pm 49-33-gm 28-37-pm 29-per 0.19-0.26ds 44-33-ga 261-33-4ds 1-12-ds 4-2-gm 1-2-1-4ds 4-2-gm 1-2-1-4ds 4-2-1-4d	223 0.492 3.04 0.37 0.800 5.61 4.95 -2.27 1.18 -4.67 1.09 -0.16 4.95 4.70 7.35

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

European Currency Unit	Feb.16	Day's spread	Clase	One month	% 5.1	Three months	% pa
0.692313 1.20566 1.53204 14.5041 14.5041 7.89347 2.06614 2.31962 6.97717 1520.34 157.098 7.35155 1.69576 164.862	UK† Ireland† Canada Netherlands Netherlands Belgions Densions W. Germany Portugal Spain Utaly Morriey France Sweden Japon Austria Sweden Swede	35.70-35.92 6.52-6.551- 1.7050-1.7175 1392-1404 115.35-115.86 1255-1264 6.451-6.477- 5.764-5.793- 6.073-6.104 139.05-139.65	1,7475-1,7485 1,5585-1,5975 1,2675-1,2485 1,9170-1,9180 6,52-6,520- 1,7075-1,7065 1,7075-1,7065 1,7075-1,7065 1,7075-1,7065 1,7075-1,706 1,7075-1,706 6,064-6,664 5,77-5,770 6,064-6,068 1,301-1,971 1,401-5,14025	0.29-0.25cpm 0.14-0.10cpm 0.14-0.22cds 0.42-0.40cpm 0.70-1.30creds 0.47-0.44efgm 40-55cds 2.50-4.00lreds 0.55-0.45cds 1.20-1.50creds 0.31-0.29gm 0.40-0.50cpm	189 0.93 1.93 2.56 0.50 1.83 3.15 -7.71 4.54 0.73 2.66 2.77 2.64 5.25	1.00-0.95pm 0.58-0.48pm 0.58-0.51ds 1.29-1.25pm 2.90-3.60ds 1.46-1.41pm 2.30-200ds 1.30-1.50ds 1.30-1.50ds 1.40-1.70ds 3.46-0.95ds 0.89-0.84pm 8.50-7.50pm	2.23 1.36 -1.87 2.65 0.73 -1.99 3.51 -7.29 -4.84 -3.55 -7.05 -1.07 -2.53 2.66 5.05
776294	+ ElK and Inc	and are quoted in	US correcty. Forest	rd premiums and disc	DUDLS ADD	y to the US dollar	and seet to

#### **EURO-CURRENCY INTEREST RATES**

left its money market interven-tion rate at 74 p.c. at yester-

day's securities repurchase agreement tender. The central

bank injected FFr37.6bn into the money market, in an agree-

ment running until March 4. This more than replaces the

FF133.5bn draining from the market today, as an earlier agreement expires. The Bank of France met 40 p.c. of the amount bid for by banks.

of February, compared with

Feb.16	Short	7. Days	One	Three	S/x	Oce
	Lerm	motice	Mosth	Months	Months	Year
Sterling US Dollar LOS Dollar Do. Golider Scan, Dollar Do. Golider Scan, Dollar Dourschwark Fr. Frakt Collab Lire B Fr. (Fin) B Fr. (Can.) Yan D. Krope Asian Sking	8,-4 6,-64 8,-84 5,-42 11,-14 11,-64 64,-55 11,-64 64,-55 11,-64 64,-64 64,-64	84.84 68.68 84.87 11-11-17-18 17-7-18 18-6-6-6 8-8-7-6-6	8,688,813,73,75,60,60,80,80,60,60,60,60,60,60,60,60,60,60,60,60,60	91 01 01 01 01 01 01 01 01 01 01 01 01 01	9: 9: 9: 9: 9: 9: 9: 9: 9: 9: 9: 9: 9: 9	91 91 77 78 88 84 42 23 38 81 114 110 61 61 61 61 61 61 61 61 61 61 61 61 61

			<del></del>		_
toog term Eurodollars: two yes five years 84-812 per cent monicul	rs 8-74 per c	est; three year:	; 8%-8 per cent; to	ur years (Po-B), per c	er
five years 84-81; per cent monitori	. Shori Lerts :	2469 748 COT 10	r US Deffars and J	lapanese Yen; others,	þ
days' notice.	2.0				

Feb 16	٤	\$	DM	Yes	F Fr.	S Fr.	H Pl.	Liva	CS	B Fr.
£ \$	0.572	1.748 1	1.985 1136	227.5 130.1	10.09 5.772	2.45 1.402	3.353 1.918	2197 1257	2.216 1.268	357 357
D#	0.504 4.3%	0.881 7.684	8.725	114.6	5.083 44.35	1.234 10.77	1,699 14,74	1107 9657	1.116 9.741	31.4 274.
F Fr. S Fr.	0.991 0.408	祝	1.967 0.810	225.5 92.86	10. 4.218	2.426 ]	1323	Z).77 896.7	2.1% 0.904	61.9 25.5
K FL Liva	0.298 0.455	0.521 0.796	0.592 0.904	67.85 103.6	3,009 4,593	0.722 1115	1 1526	655.2 1000.	0.661 1.009	18.6 28.4
Ç.Ş.	0.451	0.789	0.896	302.7	458	1106	1513	991.4 3515	3.546	28.2 100

g '	1	1.748	1985	227.5	10.09 5.772	2.45	3.353 1.918	237	건;; 12;;	號	1.7480 1.7453	1.7383	L
\$	0.572		1136	130.1	2//2	1.402	1.710	יפנ	1480	35.76	HAM STERLING SO per	£	
DAY YEN	0.504 4.3%	0.881 7.684	8.725	114.6	5.083 44.35	1.234 10.77	1.689 14.74	1107 9657	1.116 9.741	31.49 274.7	Latest Mar 1,7400	Hrah 1.7410	L
F Fr. S Fr.	0.991 0.408	祝	1.967 0.810	225.5 92.86	10. 4218	2428 1	1389	2).77 896.7	2.1% 0.904	25.3 25.31	Jun 1.7290 Sep 1.7146 Dec	1.7305 1.7146	ij
il FL	0.298	0.521	0.592	67.85 103.6	3.009	0.73	1	655.2 1000.	0.661 1.009	18.64	LIFFE-STERLING 025,0	00 \$ per	Ē
Lira	0.455	0.796	0.904	103.6	4.593	1712	1.526	1000.	1.009	28.A5	Clase	Kigh	
C S B Fe.	0.451 1.600	0.789 2.797	0.8% 3.176	102.7 -364.0	123	1.106 3.920	1.513 5.345	%	3,546	28.20 100.	Mar 1.7446 Jun 1.7345 Sep 1.7245	1.7446 1.7345 1.7245	
per 1,00	O: Freed	Fr. per	10: Lira (	er 1,000	Belgian	Fr. per 1	00.	-			Estimated volume 12(70) Previous day's open est. 2		
التنسي						100		TED!		ENVIN	· · ·	-	_

## FT LONDON INTERBANK FIXING

(1)_00 am. Feb.	16) 3 months US dollars	• months ti\$ Dollars			
PR 65	offer 6g	ble 67g	offer 7		
The fixing rates are th \$10m motes by the n Westerinster Bank, Se	re arithmetic metos rounded to the market to five reservance basics at Ink of Tokyo, Deutsche Bank, Ba	e neavest one-sixteenite of t 11.00 a.m. each working o nque Maximal de Paris and	he bid and offered rates by. The basics are Natio Morgae Supramy Trust.		
MONEY RAT	ES				

NEW YORK (Lunchtime) Prime rate Broker lota rate Fed Jonds Fed Jonds at intervention	81 <sub>2</sub> 71,	One month  Two manth  Three worth  Siz month  Two year	<u></u>	5.49 Four 6.17 Five: 6.38 Seve 6.74 10-ye	year year	7.56 7.66 8.15 8.36
Feb.16	Overplight	One Mossis	Two Months	Three Months	Str. Months	Lomban
Frankfort. Park Zarich Ansterdam Tokya Millan Brussels Ooblen	3.75-3.45 72-71 5-5-7 3.34575 10-100 <sub>3</sub> 3.85 84-81 <sub>2</sub>	315-330 71-71 11-11 32-4 17:875 101-11 61-61 81-81	320-330 7/ <sub>8</sub> -7/ <sub>2</sub> 8-8/ <sub>8</sub>	120-335 71-75 11-75 12-75 38-375 101-111 64-61 9-91	330-345 72-72	459 7.50 :

			7 days ection	(See	Three Months	Six Months	Year
acting Dis		9	81	83	93	g,	95 95 95
generate Mist Dept. 8 8 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9	\$40K Sid	5 .	81	<del>5</del> 5	74	9.	94
current Mrt Dept. 8 8 94 95 95 95 95 95 95 95 95 95 95 95 95 95		-	-	88	qu <sub>e</sub>	92	934
current Mrt Dept. 8 8 94 95 95 95 95 95 95 95 95 95 95 95 95 95	Authoray Days	8	2°4	84	, ભૂત	91,	94
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80			•	9 1	19 <sub>2</sub>	95	9 <u>12</u>
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80	poet Mirt Dept	8		1		<u>-</u>	·
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80	Depodis	8	<b>9</b> 4	1 3 i	19 <u>4</u>	95.	91
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80	nce House Deposits J	·=	-	j 85± ∣	124,	95	94
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80	(البنية) Bills وحدو	-	-	B-3	872		•
the Trade Bills (180/7 - 6.65-6.60 6.75-6.70 6.85-6.80	Bills (Buy)	-	•	1 86 I	82	95	-
dar CDs	Trade Bills (Boy)	-	•	! %	1 18.	맺	<del></del>
	er CDs	-		القه-كمة ا		6.85-6.80	735-736
District Des Dies I _ I = I 5 R I fi film I	Linked Dep Offer	-	-	, 5 <u>2</u>	6	ا والج	63
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RE Linkerd Dep Bid		-	-	62	64	l 6≦ 1	[6∦
til Custed Dec Sto	I intend State Bld	- 1		1 62	44	4.	1 62

#### **FINANCIAL FUTURES**

## Muted reaction to good PSBR

GILT FUTURES moved up on Liffe after a higher than expec-ted repayment figure on the January UK PSBE, but reaction was somewhat muted. The market analysed the figures and noted a high level of corporation tax, indicating strong growth, which is regarded as bearish for interest rates.

The time lag on tax payments means the figure indicates the level of growth some months ago however, while another figure published yesterday showed recent growth is not as strong. December UK manufacturing output fell 0.35 p.c., in spite of an overall 0.6 p.c. rise in industrial productions. 95.5.
D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. January average 1.6547. Exchange rate index 148.8 against 146.9 in industrial production.

Close High Low Prev. 118-26 119-01 118-16 118-14 118-27 118-25 118-20 118-14

Close High Low Pres. 94-30 95-01 94-26 94-17 94-24 94-23 94-23

Close High Low 107.76 108.15 107.72 107.20 107.55 107.17

93-14 92-08

1-mth, 3-mth, 6-mth, 12-mth, 1.7453 1.7383 1.7284 1.7099

Estimated Valence 643(613) Previous Gay's open int. 715(683)

THREE MONTH STERLING 6500,000 paints of 180%

THREE MONTH ENGODELLAN

**CURRENCY FUTURES** 

POUND-S (FORFICE EXCHANGE)

LIFFE LONG GILT FUTURES OPTIONS

Revisions to back figures made traders reluctant to read too much into the production of ground into the production of around into the watched carefully for any increase, and further evidence of economic overheating.

Ms Evelyn Brodie, senior UK economist at Morgan Grenfell, noted fears about overheating corporation tax in the PSBR from high wage levels at a time, suggests possible borrowing to when the economy is showing signs of slowing, but said this signs of slowing, but said this signs of slowing, but said this should not result in higher Sibn. He added this will not be interest rates, for fear of further choking off growth.

Tomorrow's other major economic announcement will be on UK bank lending, which is

LIFFE US TREASURY BOWN FUTURES OPTIONS LIFFE FT-SE 100 INDEX FUTURES OPTIONS Pets-Feb 0.0 0.13 0.90 3.24 7.24

LIFFE E/S OPTIONS E25,000 (cests per £1) May Jun - 23.80 - 18.65 6.20 6.55 3.65 2.40 2.00 2.40 1.05 1.40 0.60 0.70

Sep 2.30 2.07 1.84 1.62 1.41 1.31 Mar 0.00 0.00 0.00 0.00 0.00

	- 12-0	Estáma	used votum	e total, C neo int: C	心: 100 Ps 心: 1470	ts 154 Pers 1153	u.pr	01,	0.10
CHICA	60								
B.S. TRE \$100,000	ASURY BONDS 32nds of 1905	(CST) E	75			SE YEN (IMIK) Per Y180	)		
	Lated	High	Low	Prev.		Latest	High	Low	Pre
Mar	92.27	93-00	92-20	93-15	lia-	0.7686	0.7695	0.7683	0.764
مرآ	91-28	91-30	91-19	92.13	Jan	0.7739	0.7745	0.7733	0.769
Sep .	90-29	90-30	90-20	91-15	Seo	0.7759	0.7795	-	0.774
Dec	90-00	90-04	89-28	90-19	Dec	0.7850	0.7250	-	0.780
Mar		-		89-25	Mar	0.7900	0.7900	-	0.786
عب آ	88-11	88-11	88-11	89-01					
Sep			-	88-11	DEUTSC	HE MARK (IM	M)		
Dec	-	-	-	87-22	DW125.0	QO S per DN	•		
Mar		-	-	87-02			481	7=-	Pre
Jan	-		-	86-15	M	Latest 0.5854	High 0.5858	0.5847	0.58S
Sea	-	-	-	85-29	Mar	0.5906	0.5907	0.5896	0.590
-					Jun Sep	0.5958	0.5958	0.5 <del>95</del> 2	0.595
					Dec	0.000	0.6010	0.6000	0.000
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يجيم هيج	af 198%								
	Latest	High	Low	Prev.		IONTH EUROD	KOLLAR (	MM)	
Mar	94.26	94.30	94.22	94,34	रंगक रेक्स	R of 100%			
,tum	94.10	94.13	94.04	94.18		Latest	High 93.02	Low	Pres
Sep	93.82	93.85	93.79	93.91	Mar	92.96	93.02	9291	93,0
Dec	93.53	•	93.52	93.61	Jus	92.77	92.82	92.72	92.8
Nie-	-	-	-	93.33	Sep	92 49	92.52	92.45	92.5
J <del>o</del> n	-	-	-	93.12	Dec	92.20	92.22	92.17	92.2
					Nac	91.95	91.96	91.92	92.0
					Jun	91.74	91.74	91.70	91,7
					Sep	97.55	91.55	91.52	91.6
SWISS FI	(MMI) SHAS				Dec	91.40	91.40	91.37	91,4
SFr 125,0	00 \$ per SFr								

Fixed Income and Equities Trading for dealing prices call:

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WALL STREET Feb. 1975/1991 +3 Mar. 1978/1994 +3 Mar. 1723/1735 -7

Prices taken at 50m and change is from previous close at 90m

(1986: 848 m), not including capital gains of SEK 60 m (7) from investments in

The Board of Directors has proposed an increase in dividends per share, to SEK

AGA strengthened its positions in European gas markets during the year through several acquisitions and higher investments in huildings and machinery.

Capital gains from investments in securities are reported among nonrecurring items.

ing a dividend per share of SEK 5.25 (4.50).

#### **AGA Group** Preliminary results for 1987.

Consolidated income as per preliminary financial report. SEK m 1987 1986 10.590 9,314 Operating expenses, etc. Normal depreciation -635 -635 -7,842 -550 Operating income 1,100 922 Net financial items -90 -82 Income after financial items 1,010 Capital gains from investments 60 Other nonrecurring items -20 income before year-end The operations were streamlined further and a steel distribution

provisions and tax	1,050	1,00
Operations, SEK m	1987	198
Gas operations Sales Operating income Income after financial items	5,717 810 680	4,85 56 54
Frigoscandia Sales Operating income Income after financial items	1,696 149 133	1,41 15 13
Tool Steel Sales Operating income Income after financial items	2,127 50 50	<b>2,03</b> 11 10
Energy Sales Operating income Income after financial items	1,097 97 150	1,05 11 8

Income per share after full tax increased 25 percent to SEK 13.50 (10.80), based on preliminary figures for 1987. After actual tax paid, income per share amounted to SEK 17.00 (13.70).

The Board of Directors will propose to the Annual General Meet-

# acquisitions and comprehensive investment programs.

Income from gas operations developed favorably and profit margins increased The acquisitions of the Rommenhöller Group, Duffour et Igon, and Norsk Hydro's gas companies in Sweden and Finland contributed to the positive trend of income during the year. In parallel, financing costs rose as a result of the

Consolidated goodwill of nearly SEK 1,000 m from acquisitions during 1987 was written off directly against free shareholders' equity, in accordance with the IAS 22 international accounting

Frigoscandia's income was largely unchanged compared with the preceding year. Very poor vegetable harvests in 1987 reduced handling and storage revenues. Operations were expan-

ded through the acquisitions of Stein Associates in the U.S. and, at the end of June, Frigofresh in Great Britain. Income from tool steel operations, which include Uddeholm Tooling and ASSAB, declined in 1987 due to production stoppages, weak market conditions and the decline of the U.S. dollar,

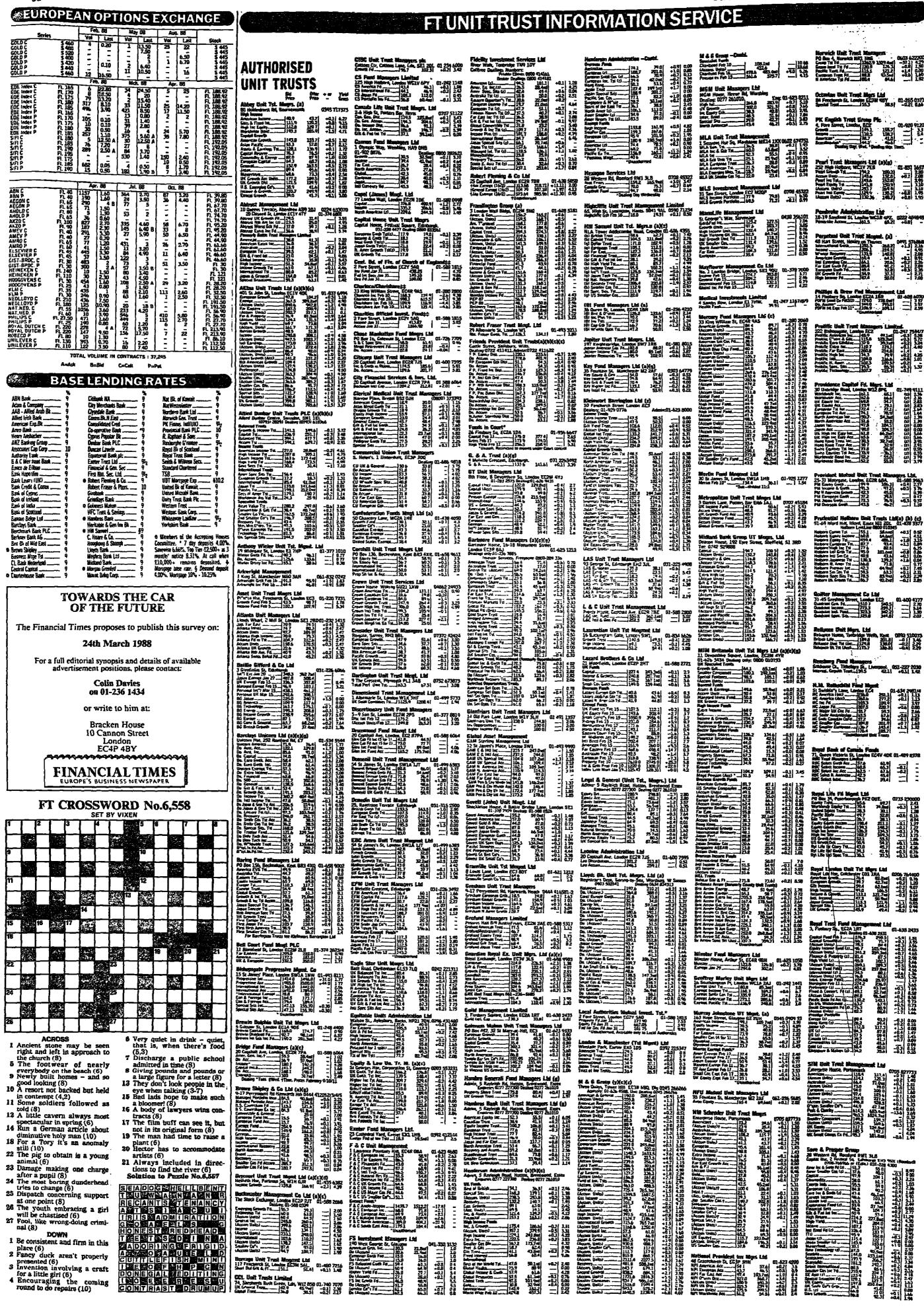
company was acquired in the U.S. Energy operations, which comprise Uddeholm Kraft and its subsidiaries, reported strongly improved income after financial items, partly as a result of transactions completed during 1986.

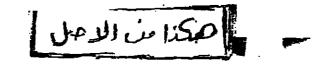
The official financial report for 1987 will be released on March 25 and AGA's Annual General Meeting will be held on May 30. Lidingö, Sweden, February 10, 1988 AGA AKTIEBOLAG Board of Directors

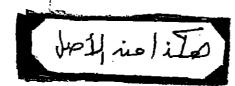


Tokyo, Zünch, Basel, Geneve and are sold in the USA via ADR-deposits.

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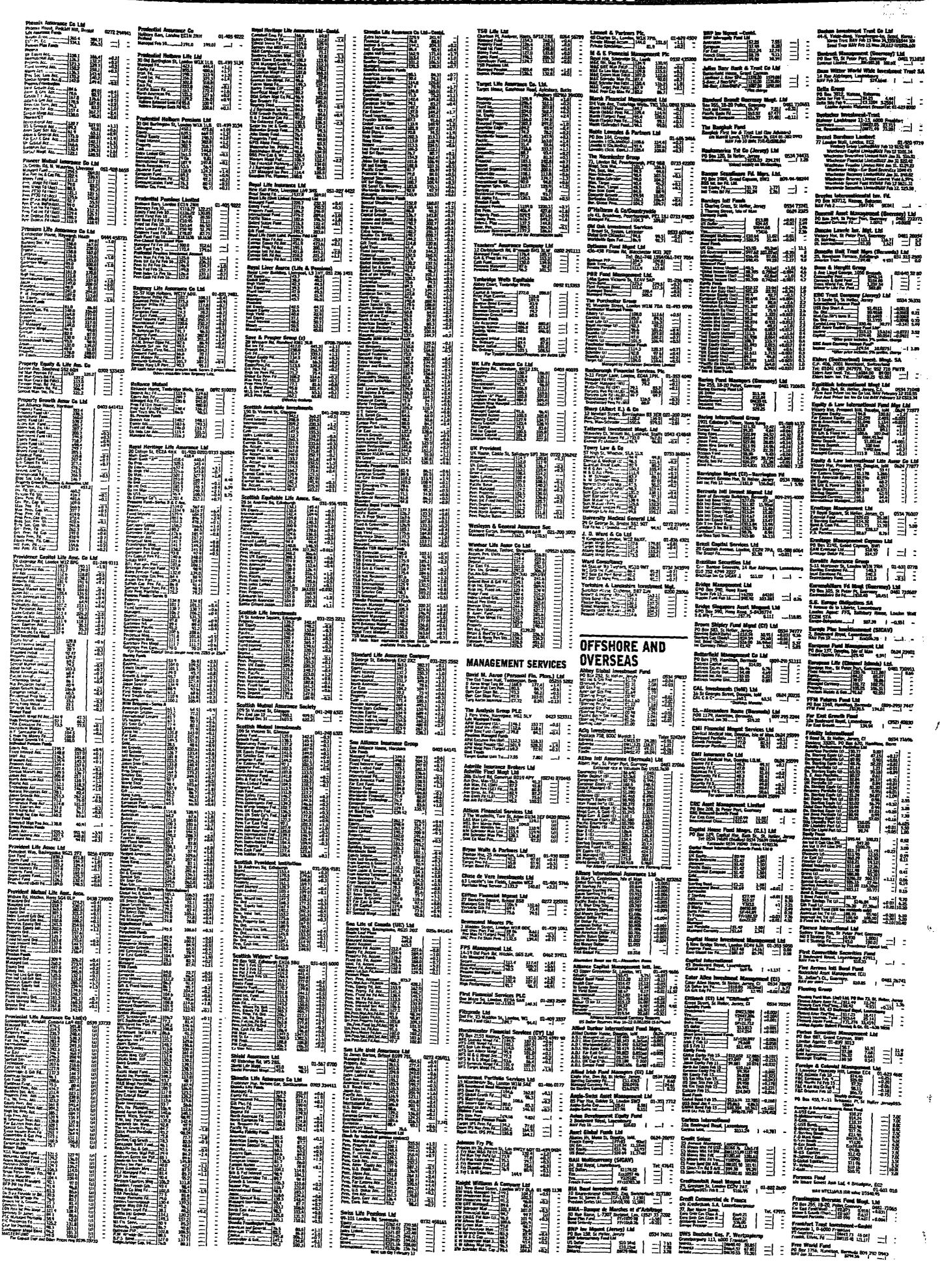




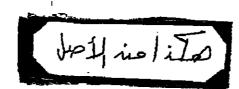
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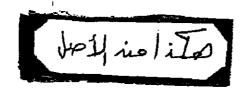
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2174 2111 [ris] Bank Y50	114   Evote Graup   151 +1	195   First Security 10p.   256   +5   +12   233   311   4.01   10.09   10.00   10.0	- 18.0 23 3.5 14.0 4 28 4 26 14.0 27 5.6 1 1.0 2.5 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	0 32 10 Kale Tiles
386 222   Hambro 20p 125   -5   Ra2 5   - 2.7   - 308   805   398   M1 Samet   885   - 4714.8   -2.5   - 230   194   134   Kng & Shass   KS2 50   50   10376   - 53   - 1216   194   134   Kng & Shasson 20p   50   433   44   14.0   -5.7   569   134   Kng & Shasson 20p   50   433   44   14.0   -5.7   569   51   31   31   31   32   33   44   14.0   -5.7   569   51   31   31   31   31   32   33   44   14.0   -5.7   569   51   31   31   31   31   31   31   31	2234 Hercuses Iac.1	80 Halmas Protect 50.01 115 +1 102.66 8.11 12 10.0 78 Victors 50.0 159 164 Hals East 10.0 78 HAISTER 10.0 78 H		14   200   120   15anter & Stiny Sp.   147   +5   14.26   23 4.7   12.4     14   24   24   25   25   25   25     15   25   25   25   25     16   26   27   25   25     16   27   27   27     17   Scan Reterion
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237's [2] [Wells Fargo \$5 [238.] +1 062 06 - 6.8 -	DRAPERY AND STORES  17 HACSS Group 10p. 35	77 1-Memcari Int., 10p. 31 23 21 3.5 19.3 300 166 Bassett Foots 205	+3   164.53   46.48   6.3   576   255   EIS.   259   47.15   26.4   48.13   45.6   45.0   21.4   45.12   15.6   101.6   259   161.4   27.1   26.4   48.13   161.4   27.1   26.3   21.4	283 140 Stating lots 21-9 146 31 14 28 29 9 9 15 15 15 20 29 9 15 15 15 15 15 15 15 15 15 15 15 15 15
Hire Purchase, Leasing, etc. 203 10 12 12 12 12 12 12 12 12 12 12 12 12 12	44 Ameter Day 27-3 40 -1 483-4 -6.5 -441 22 0 Ameter Day 27-3 -255 +5 12.5 1.7 1.3 51.3 588 17 5 10 2 2 2 2 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3	0 Microges Hitig: 50. 277 -1 5.5 6 2.7 6 112 35 Booker 377 3 3 Microges Hitig: 50. 148 -1 5.5 6 2.7 6 112 35 Bordsrick 100. 48 -48 1.4 3.7 25.7 273 155 Brake Bros 100. 188	-4 113.73 1.8 51 126 255 125 Electrolic BM 25 125 125 125 125 125 125 125 125 125	511 675 Smitch Black H 5 Sub 886 -22 6259 65 27 56 886 -22 53 54 54 54 54 54 54 54 54 54 54 54 54 54
305 110 Months 1020 339 (   #13.0 2.2 5.3 11.7   #20   #	(Parity of Holes 109) 98	5 Molynez 200		120   116   Spiess Pickman 140   116   R5.28   2.0 6.2   10.9
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124   Boddsupton   165   172   183   147   286   287	Breater (N) 10p. 250 + 10.5 0.3 0.8 - 13.4 59. 250 + 12.5 0.8 250 + 12.5 0.8 25. 250 + 12.5 0.8 250 + 12.5 0.8 250 + 12.5 0.8 2	14	- 113.27 3.0 4.7 9.8 14.9 18 Engliser Jenelley. 63 -2 0.05 -0.1 3.0 13.6 11.9 17.6 5 11.9 17.7 408.5 17.6 5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 11.9 17.7 5 20.5 11.9 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 17.7 5 20.5 11.9 11.9 11.9 11.9 11.9 11.9 11.9 11	165 44 Filesky (Eliza) 50 118 +77 (015c) 2.5 3.6 11.1 12.2 204 4.07 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 15.2 205 1.8 16.9 16.9 16.9 16.9 16.9 16.9 16.9 16.9
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203   370   Macalan - Glergert   583   43   42 ma 5 1 2 ma 1.5 ( 12%)   Ast	Ourbile Highs, 10p. 156 - 9.4 - 216 27 224   ERA Group Sp. 73 +3 91.0 - 1.9 - 115 51   Ellik & Gold 15p. 40 - 2.6 11 5.9 7.4 258 127   Empire Stores 235 -1 14.79 2.77 2.8 18.6 175 75   Etam 10p. 258 -1 14.79 2.77 2.8 18.6 175 75	Philips Lp. F10.	68 27 301 15.6 377 207 Service Result 59. 278 19.0 25 15.3 14.1 25 25 26 26 20.1 15.0 27 3.5 13.5 378 25 Service 10.5 26 27 3.5 13.5 378 25 Service 10.5 25 25 25 27 3.7 13.0 152 Feb Southers 10.5 25 25 25 25 25 25 25 25 25 25 25 25 25	133 42 Unifect 20 49 49 1025.94 5.0 2.7 14.3 7.7 17 Uts Garmanice 50. 22 -1 22 3.1 4.4 10.7 255 129 Vinces 6p. 200. 155ml 73.3 3.0 2.9 14.0 8.3 13 130 Water Potts. 100. 103 45 46.3 3.3 3.0 15.3 195 46.4 3.3 3.3 17.4
154 17.0 Macdonald Martin W. 2113. 19.0 2.4 2.2 2.5 180 180 153 11.0 Marson Thumpson. 1.5 1.5 1.5 1.1 3.0 14.5 34.5 1.9 1.0 Marson Thumpson. 1.5 1.5 1.5 1.3 3.1 3.0 14.5 34.5 1.9 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0 1.0	Ellis & Gold 15a. 60 2.6 3.1 5.9 7.4 258 1.7 Elampire Samers. 255 -1 44.75 2.7 2.8 18.6 175 7.5 Elam 16p. 258 -1 44.75 2.7 2.8 18.6 175 7.5 Elam 18me Prods 5p. 250 -1 14.7 3.0 2.5 18.1 177 8.2 Executes 20s. 30.05 136 -1 14.25 2.1 2.3 22.4 7.0 33 4.5 18.6 18.6 18.6 18.6 18.6 18.6 18.6 18.6	Right   February   Color   C	71.6 0.0 17.70 255 135 Santire Cop. 178 03 1.53 224 4.1 0.7 11.6 0.0 0.9 17.4 2.25 11.5 Helian lop. 158 6.5 12.2 2.7 2.4 2.1 0.7 12.5 11.5 Helian lop. 158 6.5 12.2 2.1 12.5 11.5 Helian lop. 158 71.2 2.2 2.1 12.5 12.5 12.5 12.5 12.5 12.	225 129 Mines 67, 209. 93 56 FWSP Hides 59. 313 130 Water Ports, 10p. 165 66 Mister Greechist. 277 145 Water Greechist. 278 145 Water Greechist. 279 122 Welcome. 380 591 522 40 Water Greechist. 371 22 Welcome. 381 40 435 33 31 134 382 48 383 31 31 31 34 383 45 4435 33 31 134 383 45 4435 33 31 31 34 383 45 4435 33 31 33 31 33 383 45 4435 33 31 33 31 33 383 45 4435 33 31 33 31 33 383 45 4435 33 31 33 31 33 383 483 483 483 483 483 483 483 483 483
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575 136)-Blockleys 20p. 355 +5 DA-29 28 B 17 29.7 240 100 M 22 248 17 29.7 240 100 M 22 248 100 Beechos. 185 +2 (45.63 0.9 4.2 35.1 1.44 9.2 M 250 0.65 British Deedging. 128 -1 14.1 14.3 19.7 4.90 128 44 14.3 19.7 4.90 1	Finding line 30.50	Picture Rethy, 10p. 15 - 3 65.0 34 6.0 6.8 HOTELS AND CATE!	RERS 125 43 Hitestiegh Tech 20 75 +2 10 15 18 512	21 106 Wessey (H.) 214   +3   173   4.3   4.0   10.1   114   -1   3.9   2.8   4.9   10.4
148 76 Bryam Groot 130 +2 275 3.5 29 13.6 246 95 Mars 170 Experis & Nation 20a, 13.4 12 275 3.5 29 13.6 246 95 Mars 170 80 Carbread Rey W 10a, 113 -2 102284 3.0 45 11.5 378 225 Mars 173 182 Caration 5a, 203 41 4.6 13.8 470 340 08 134 46 13.8 470 340 08 128 128 128 128 128 128 128 128 128 12	85 Sen 100 205 - 435 125 6.9 48.8 372 25 6.9 48.8 372 55 6.9 48.8 372 55 6.9 48.8 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 372 55 6.9 48.9 23 2.1 22.6 372 55 6.9 48.9 23 2.1 22.6 372 55 6.9 48.9 23 2.1 22.6 372 55 6.9 48.9 272 572 572 572 572 572 572 572 572 572	Semestrix Sa.   30   411   9 6.66   0 6.22   35   44   45   45   45   45   45   45	12 0.6 1.6 83 31 Februaria San 310 45 12.5 12.5 12.5 12.5 12.5 12.5 12.5 12.	INSURANCES 5 183 lattery Life 5a 269 160 14.4 - 9 11.12 - 251.00 16.4 - 9 11.12 - 251.00 16.4 - 9 11.12 - 251.00 16.4 - 9 11.12 - 9 11.1
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271 130 Cresi Nation 100 255 -1 131 10.7 1.1 11.8 413 203 Resilient 120 100 100 100 100 100 100 100 100 100	ners 10s 294 -1 175 6.3 -30 143 165 294 24 3.0 11.0 877 348 Vic 44 34 3.0 11.0 11.0 11.0 11.0 11.0 11.0 11.0	Scientific   280   42   17.66   23   55   10.4   113   60   50   60   50   60   60   60   60	0.38 2.1 2.1(26.6) 535 338 Jereson Calavers 450 -1 104.51 2.1 3.1 12.9 335 16.6 12.6 12.6 12.1 12.1 12.1 12.1 12.1	286 Comm. Union. State 10p 150 20 0.8 1.8 - 25 56 56 56 56 56 56 56 56 56 56 56 56 56
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			200   27 475   110	65 Satters ins. Inne. 78 -6 HUSS -53

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# Financial Times Wednesday February 17 1988 37 **LONDON SHARE SERVICE** OIL AND GAS — Contd | Page | Dec | Page | P INSURANCES - Contd OIL AND GAS MINES - Contd Contd TRUSTS, FINANCE, LAND - Contd | Section | Color | Co Ities Law 16 Whetrame Mass 20c. 16 Wall W Hidgs 50c. 28 Whiten Mark 50c. 28 Whiten Mark 50c. 29 Whiten Hidgs 50c. 20 Whord B Him 50c. 23 Nith, Kadgert 7 William For Mark 50c. 26 WPan Assi Mining 25c. 26 WPan Assi Mining 25c. 27 William Eugl's Mining 25c. 28 WPan Mass Mining 25c. 29 WPan Mark 10c. 21 WPandaga Ming Eup 5c. 21 WPandaga Ming Eup 5c. 21 WPandaga Ming Eup 5c. 22 WPandaga Ming Eup 5c. 23 WPandaga Ming Eup 5c. 24 WPandaga Ming Eup 5c. 25 WPandaga Ming Eup 5c. 26 WPandaga Ming Eup 5c. 26 WPandaga Ming Eup 5c. 27 WPandaga Ming Eup 5c. 28 WPandaga Ming Eup 5c. 29 WPandaga Ming Eup 5c. 20 WFandaga Ming Eup 5c. 21 WSandaga Eup 12 WSandaga Eup | Prince | - | Pri | 1987/86 | Law | Stuck | 1986 | Law | Stuck | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 LEISURE FINALE, LAND FI Miscella 35 Angio-Dominion. 80 Botte Mining 10p. 21 WColby Res Carp. 119 Cons. Hurch. 10c. 30 WDRX Int. 23 HEADS Angue 110 Vig 5p. 139 Greenanch Res. 26 Selfensio Gold Mines. 117 WHighwood Res. 2711 Homessake Mining 51 135 Wile-Indey Red Lake. 115 WMed-Indey Red Lake. 125 WMed-Indey Red Lake. 125 WMed-Sabbina Res C\$1 41 Nor-Quest Resources. 253 RTZ 10p. 411 Nor-Quest Resources. 421 Nor-Quest Resources. 423 RTZ 10p. 411 Nor-Quest Resources. 421 Nor-Quest Resources. 423 RTZ 10p. 41134 140 -5 23 -5 137 -3 14 -1 14 -1 14 -2 23 -5 23 -5 23 2 -2 22 2 1 1 2 140 182 90 \*313 80 \*72 \*440 £13£ 356 £45 166 80 598 237 580 393 393 THIRD MARKET **MOTORS, AIRCRAFT TRADES** | 50 | ERF (Midge) | 260 | +3 | 87 | Planters (68) | 154 | -1 12 12 13 22 13 14 22 4 24134 04127 34 34 24 81 33 31 33 107 427 11 64 153 162 27 53 99 128 45 14 157 122 38 12 20 163 38 37 77 144 32 28 155 | Section | Sect Garages and Distributars Absunders 10p. 23 -3 0.73 6 4.5 14. Replicant 980 773 50 23 14. Replicant 0. 0.1 480 499.07 7.3 10 17.6 Eallyn 50s 775 23 22 24.1 Replicant 0.1.1 186 +2 225 2.4 24.1 | NEWSPAPERS, PUBLISHERS | 240 | 122 | 143 | 144 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 | 143 **NEWSPAPERS, PUBLISHERS** PAPER, PRINTING, ADVERTISING Fand III. 4. 1988 12003 IIII. 1989 12003 III. 1989 II Brit Petrole Britoil

more commands many take place from 2.00

and two business days earner.

NEITHER SATISFACTION with
the latest UK PSBR figures nor
City hopes of progress towards
a settlement of the Ford Motor
strike could stir enthusiasm in
the London securities markets

Government bonds were
marked up in early trading, but
of the PSBR figures failed to
hold. At the close, gains of
about % in the longs were similar to those showing in the first strike could stir enthusiasm in the London securities markets yesterday. The big investment houses remained cautious ahead of tomorrow's trading session, which brings the announcement of the latest UK money supply and bank lending cial Futures market. London

Turnover in equities that the strong PSBR figure could be a warning of another return from the President's Day break, many UK blue chips were hardly tested. Speculative features were less prominent of fund managars over current of fund managars over current of fund managars. features were less prominent, and Texaco dismissed reports of an oil find in the Amazon the terse statement that, it has not yet started drilling" in the area.

At the end of the session, Seaq equity turnover of 293.6m shares remained barely one half of the levels associated with buil market days.

The FT-SE 100 Index tried to

move up after the PSBR announcement but soon lost heart, to close 4.6 down at 1734.6.

The disclosure of a \$6.3bn PSBR surplus in January appeared to indicate that Mr Nigel Lawson, the UK Chancellar of the Evaluation is the Evaluation of the E or of the Exchequer, is "on target" for his Budget, to be revealed on March 15, while the decline in the latest UK production figures helped ease worries of overheating in the economy.

However, assumptions of a generous Budget have been questioned by several City analysts. "Expectations for fiscal expansion in the Budget have been rightly downgraded", as Mr Peter Thompson of BZW warns in his latest Ferrita warns in his latest Equity Strategy note. He points to a 10 per cent Base Rate, "possibly in Budget week", as a warning

both on wage settlements and consumer spending.

At Kleinwort Grieveson, on the other hand, Mr Mike Osborn holds to the view that the Chancellor "will deliver \$4bn of tax cuts and a zero PSRR" and tax cuts and a zero PSBR", and tax cuts and a zero room, and believes that higher interest rates would only be likely if sterling came under pressure. Concern inside the City over

Concern inside the City over the shakeout among the securi-ties houses was not soothed by reports that the Bank of England is now casting a cold eye on the diminished share in the Gilt-edged market held by some of the new marketmakers who rushed in at Big Bang, seventeen months ago. There were also rumours that another

major house was culling the equity dealing desks.
Government bonds were

amountement of the latest tik money supply and bank lending statistics, as well as preliminary trading figures from Midland Bank and British Petro-

fund managers over current yield levels, commented Mr John Shepperd of Warburg

Ultramar came to the fore-front of the oil sector, rising 5 to 264p as a block of 5.7m shares changed hands. The deal immediately raised the question of whether a buyer has been found for Sir Ron Brierley's stake in Ultramar. Industry stake in Ottramar. Industry analysts discounted recent suggestions that British Gas might bid, pointing to the monopoly problems of any takeover move problems of any takeover move in Canada's downstream oil industry. "It's more likely to be an Arab source, particularly in view of the recent developments in the UK", was the view of one seasoned oil industry. of one seasoned oil industry analyst. Turnover in Ultramar finally totalled 9.7m shares.

British Petroleum traded sluggishly in modest turnover as the market awaited the annual trading figures, the ful-ly-paid easing 2 to 258p and the partly-paid I to 77p.

British Gas, at 130p. showed

little change after confirming that it is extending to all share-holders its bid for Petrocorp of New Zealand.

Marketmakers were sceptical

of a vague report that Texaco had made an oil find at the mouth of the Amazon River. However, this was enough to However, this was enough to spark speculation that Brazil may be in a position to repay some of its loans and had the effect of boosting turnover in Lloyds Bank, with its large its exposure to Latin American debt. to 2.7m shares. Lloyds shares touched 263p in early trading before easing back to close just 2 higher on balance at 255p. The other major clearing banks made modest progress intially, but later slipped back to close virtually unchanged. to close virtually unchanged. Standard Chartered touched 522p prior to closing only a penny dearer on balance at 516p on confirmation of the

Bonds and equities draw no encouragement from big PSBR repayment in January

Feb. 16 15 12 11 10 Age High Low High Low High Low Government Secs. 88.47 88.31 88.45 88.51 88.63 86.12 93.32 83.73 127.4 49.18 128.60 145.60		F	INAN	CIAL	TIME	S ST	OCK I	NDICE	S			
Government Secs. 88.47 88.31 88.45 88.51 88.63 86.12 93.32 83.73 127.4 49.18 (97.135) (97.13		Feb.	Feb.	Feb.	Feb.	Feb	Yeer	190		Side C	ompilation	-
Fixed Interest	Government Secs	88.47	88.31	+	<del> </del> _	+		+	<del></del>	<del></del>	Low	_
Cold Mines   Co		95.35	95.19			1		(8/5/87)	(19/10/87)	(9/1/35)	(3/1/75)	
Gold Mines		1386.9	2389.1	2395.0	1381.0	1368.4	1552.3	, —	(2/1/87)	(28/11/47)	G/1/753	ı
Ord. Div. Yield     4.40     4.48     4.50     4.52     4.55     3.66     S.E. ACT [VITY]       Earnings Ykl. %(fixl)     11.32     11.30     11.35     11.39     11.48     8.62     Indices     Feb.15     Feb.12       P/E Ratio (net)(**)     10.79     10.81     10.76     10.73     10.64     14.21     Indices     Feb.15     Feb.12       SEAQ Bargains (Spm)     20,740     21,129     20,092     21,593     20,733     55,635     Equity Bargains     115.8     125.2       Equity Turnover (Em)     -     765,87     956.41     888.59     928.93     1520.06     1548.0     1933.1       Shares Traded (ml)     -     24,426     22,965     24,441     24,197     76,701     682.4     Equity Walson     120.0     126.4       Popening     10 a.m.     1390.5     1390.5     1390.5     1388.5	Gold Wines	261.7	261.9	255.9	252.7	259.0	305.7	CL6/7/87) 497.5	(9/11/87) 241_7	(16/7/87) 734.7	(26/6/40)	•
P/E Ratio (net)(**)     10.79     10.81     10.75     10.74     10.75     10.64     14.21     6Rt Edged Bargains     115.8     125.2       Equity Turnever (Em)     20,740     21,299     20,922     21,593     20,733     55,635     6Rt Edged Bargains     115.8     125.2       Equity Turnever (Em)     -     765,87     956.41     888.59     928.93     1520.06     76,701     50.06     1582.0     1583.0     1933.1       Sharest Traded (ml)     -     24,426     299.3     321.5     342.7     332.0     682.4     50.06     682.4     682.4     682.4     682.4     682.1     1583.0     120.0     126.4       Qopening     10 a.m.     1390.5     1390.2     1390.0     10 a.m.     1392.1     2 p.m.     1390.5     1388.5			4.48	4.50	4.52	455	366				(26/10/71)	: [
SEAQ Bargains (Spm)     20,740     21,129     20,092     21,129     20,092     21,23     30,733     55,635     Equity Turnever (Em)     158.3     125.2       Equity Turnever (Em)     -     765,87     24,426     23,965     24,441     24,197     76,701     50,701     50,701     158.0     158.3     148.0     1933.1       Sharest Traded (ml)     -     24,426     289.3     32.5     342.7     332.0     682.4     50,701     682.4	P/E Ratio (net )(=)	11.32	. — .		21.39	11.48					Feb. 72	ı
Equity Turnever (Em) 21,93 20,733 55,635 Equity Value 1548.0 1933.1 148.8 Equity Bargains 5-Day swerage Gill Edged Bargains 158.3 148.8 1933.1 158.0 1	SEAD Barmains (Som)	10.79			10.73	10.64	14,21	GRt Edged B	argains	775.0		ı
Equity Baryains	Equity Turnover (£m)	20,740	1 '	1		_		i Equity Barca	iec	1583	148.8	ı
Shares Traded (ml) - 289.3 321.5 342.7 332.0 682.4 Equity Bargains 128.3 128.	Equity Bargains	-				- 1		5-Day averag	<b>2</b>	1 1	14331	1
1390.5 1392.4 1390.2 1392.0 1 p.m. 1392.0 1392.0 1390.5 1388.5	Shares Traded (mil)	- 				-	7	Equity Bargal	OS	1583	267.8	l
Day's High 13027 Day's law 1504 0	1390.5 1392.4 1390.2 1392.0 1393.1 2 p.m. 3 p.m. 4 p.m.											
See 19110 26, Fixed let. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nij=10.70.												

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001 sale of its Californian subsidiary Union Bank to CFB, a sub-

another investment house "buy recommendation but the shares found upward progress difficult because of the general paucity of business. The close was only modestly higher at 790p. Barclays de Zoete Wedd (BZW) say "Bass must be regarded as the prime domestic stock of the Brewery sector. The current rating significantly The current rating significantly undervalues the very real com-mercial and financial strengths

of the company".

Leading Buildings fluctuated narrowly with one leading mar-ketmaker describing the level of business as "pitiful". George Wimpey gave further ground to close 9 down at 236p as the market swung to the view that fellow construction from C.H. fellow construction group C.H. Beazer, which has built a 1.4 per cent stake in the company, is unlikely to launch a full take-over bid. Magnet, another of the sector's recent bid favour-NatWest, the securities house, gained 5 to 365p.

Blagden Industries attracted

sale of its Californian subsidiary Union Bank to CFB, a subsidiary bank of Bank of Tokyo, for US\$750m.

Copymore, a distributor of office equipment, staged a successful debut in the Unlisted Securities Market; the shares, placed at 130p, opened at 140p and touched 148p prior to closing at 143p.

Bass were the recipient of another investment house support and rose 6 to 170p ahead of preliminary figures due early next month, while Leigh Interests, a firm market on Monday reflecting the forts of a single buyer, added 7 more to 201p, a two-day rise of 16.

The rise in the January retail sales figure continued to underpin the Stores sector but once again, failed to generate any real buying enthusiasm. Woolsupport and rose 6 to 170p

Marks and Spencer, the only other leading issue to attract a relatively brisk trade (around 2.7m shares changed hands) closed a few pages of the company's acquisition of Share Drug.

closed a few pence to the good at 173p. Next edged up to 267p before easing back to close unaltered on the day at 265p. In an update on the company, Citi-corp Scrimgeour Vickers (CSV) believe that recent underperfomance of Next is due in part to distorted press criticism of Directory, the company's new mail order venture, which has left the shares trading at only a small premium to the sector. the sector's recent bid favourites, softened 6 to 241p, but Meyer International, boosted by a bullish note from County NatWest, the securities bouses

42 27 15 48 33 23

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7 more to 201p, a two-day rise of 16.

The rise in the January retail sales figure continued to underpin the Stores sector but once again, failed to generate any real buying enthusiasm. Woolworth recorded one of the few outstanding features, rising 10 to 273p in a volume of some 2m shares as several investment houses made a positive response to the company's tacquisition of Share Drug.

Marks and Spencer, the only other leading issue to attract a relatively heigh trade (amounte annual results early next month. The shares gained 5 to 85p, after a day's high of 87p. Other smaller-priced issues to progress included Prestwick, 4 higher at 43p, and Phicon, 3 dearer at 47p. Acquisition news raised First Security 5 to 255p while the rumoured bid target of the group, Holmes Protection, hardened further to 115p. United Scientific went higher Zoete Wedd arrangement of a \$100m multi option facility but Borland International dipped Borland International dipped 5 more to 97p, still reflecting

the uninspiring quarterly fig-ures. Rodime improved follow-

reporting decent numbers of stock changing hands. Two broking houses have taken a bullish view of prospects, citing an encouraging outlook for the group, which is scheduled to announce annual results early next month. The shares gained

ures. Rodime improved following an improved trading performance to close 5 up at 210p.

Plessey drifted easier, ending at 150p, awaiting tomorrow's third-quarter results. Warburg Securities is predicting a ninemonth profit of \$103m but market estimates range from either \$3m above or below the Warburg figure.

aircraft enlivened fresh interest in Rolls-Royce (some 3.4m shares traded) which settled unaltered on the day at 125p. Demand revived for Camford, up 12 at 168p. Confectionery

to edge higher as the market anticipated a settlement of the

the company if the bid for Dee is unsuccessful.

the company if the bid for Dee is unsuccessful.

Fruit and vegetable producer Hunter Saphir spurted 7 to 184p following a company visit.

Business failed to expand in the major internationals and movements rarely exceeded a few pence either way at the close of the trading session. Elsewhere, British Airways, awaiting today's amnouncement of the third quarter figures, were one of the more briskly traded stocks (4.6m) but settled 5½ cheaper on the day at 155½p. Christies International ran back 6 to 483p after the previous day's burst of speculative activity. DSC rose 8 to 96p on news that MIM had increased its holding to 23.99

London building.

Recent optimistic market forecasts underpinned the from the forecasts underpinned the forecasts underpinned the from the forecasts underpinned the forecasts underpinned the from the sadding 3 more to 490p, as did slough Estates, to 263p. Interest expanded in the Traditional option market forecasts underpinned the forecasts underpinned the forecasts underpinned the from the sadding 3 more to 490p, as did slough Estates, to 263p. Stocks fawourd for the Call interest expanded in the Traditional option market forecasts underpinned the from the sadding 3 more to 490p, as did slough Estates, to 263p. Stocks fawourd for the Call included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Call included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Call included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Call included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Call included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Legal included Berkeley and Hay Hill Investments, Next, Delta Group, Fairline Boats, Barrand Wallace Arnold Angelia, Call included Berkeley and Wallace Arnold Angelia, Call included Berkele traded stocks (4.6m) but settled 5½ cheaper on the day at 155½p. Christies International ran back 6 to 483p after the previous day's burst of speculative activity. DSC rose 8 to 96p on news that MIM had increased its holding to 23.99 per cent. It was also announced yesterday that the Merchant of yesterday that the Merchant Navy Officers Pension Fund Trustee has acquired a 17.2 per cent stake in DSC. AAH, reflecting worries about compe-tition from Unichem, the whole-

NEW HIGHS AND LOWS FOR 1987/88

stock which should deliver earnings growth twice that of the sector.

BSR International made a spirited rally with dealers

NEW HIGHS (5).

CAMADIANS (1) Denbus Res., BANKS (1) the Sector.

M.J. PROPERTY (1) Chygrove 7-spc. Pri., PLANTATIONS (1) ASSam Docars.

NEW LOWS (13).

CANADIANS (1) Armeno, ELECTRICALS (3) LONDON TRADED OPTIONS

RTZ (\*335)

emble, FOODS (1) Dalepak Foods, INDUS-TRIALS (4) CPCE, Pawon 11pc, Crv. Ln. 94/ 02, Relance Sec. Grp., SAC Intl., 08,5 (2) Bridge Oil, Gaetic Resources, THRID MAR-KET (2) Publishing Hidgs., Seacos.

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40 18

Tr. 12% 1995 (\*111 )

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cash Armstrong Equipment, the

Ford Motor industrial dispute. Vickers, scheduled to reveal preliminary figures next Mon-day, drifted back a few pence automotive components manufacturer, became a target for investors ahead of Friday's interim trading statement. BZW to 159p; the company announced yesterday that it had been awarded an £18m is looking for profits of around contract by the British Army to £4.3m compared with £3.6m develop and build training for the same period last year, but the rise of 7 to 137p in the tion contract for the supply of shares yesterday owed much to-engines for the US Navy trainer a squeeze on marketmakers' book positions. Alexanders were bought and rose to 27p prior to announcement of the preliminary statement. The disamford, closure of lower annual profits disappointed, however, and the shares reacted to close 3 down

Confectionery shares remained in vogue, Cadbury Schweppes adding 3 more to 251p and Rowntree 4 to 420p. United Biscuits hardened a couple of pence to 261p.

Retailers displayed a weak feature in Dee Corporation which dipped 7 to 178p on thoughts that Barker and Dobson's hotly contested bid for the company may be doomed to failure; the offer closes on Friday. Barker and Dobson picked up 6 to 151p, while William Low gained 18 to 579p, amid suggestions that B & D may turn its attentions towards the company if the bid for Dee

London building.
Recent optimistic market

redevelopment of the 100 acre Kings Cross site in London An announcement is expected tomorrow. Brixton Estate revived with a gain of 8 at 251p following details of a City sale chemist, gave up 7 to 285p.
Fresh support ahead of Friday's interim figures left Alam returned for Greycoat which sac 25 dearer at 350p while Record Holdings firmed 5 to 63p following completion of the acquisition of four businesses from Christy Hunt for £1.23m of London Properties, preliminary figures due next Wednesses nary figures due next Wednesday, picked up 6 at 176p, Tren-cherwood responded to the better-than-expected trading statement with a rise of 10 at

M& G retained most of the previous session's gain to close at 295p following confirmation that Britainia Arrow had acquired a disclosable stake. Citystep, the altimate bolding company of Britainia Arrow revealed a shareholding of 5.01 per cent. After the recent tentative recovery, the latter essed slightly to 96p.

Traded option business rose sharply, the total number of

sharply, the total number of sharply, the total number of contracts explanding to 32,968 made up of 23,784 calls and 9,184 puts. Beecham calls were active at 2,674, while Fleaney registered 2,987 calls, 1,001 in the May 180's. British Gascalls totalled 752 with puts at 2,560. The FTSE contract attracted 1,151 calls and 2,246 attracted 1,151 calls and 2,246

#### Traditional Options

First dealings Feb 15
 Last dealings Feb 26
 Last declarations May 19
 For Settlement May 31

TRADING VOLUME IN MAJOR STOCKS

22 27 47 50 82 541 1000 1,000 1,000 362 239 370 239 464 1,000 1,900 1,600 1,200 852 127 2,600 9,670 804 655 316 723 2,000 2,100 908 244 285 1,500 792 2,200 674 458 8 12 18 22 34 36 45 53 70 80 9 14 19 25 36 40 RISES AND FALLS YESTERDAY LONDON RECENT ISSUES FIXED INTEREST STOCKS Issue Price g 11011 9072 1236 911 3226 1139 1139 1139 1130 1130 1130 127 100 100 100 100 100 100 100 100 11/2 1/3 RIGHTS OFFERS Issue Price p Pald op Closing Price 95 JR360 74 10 110 26 210 13pm 80pm 211<sub>2</sub>pm 11<sub>2</sub>pm 9pm 21pm 25pm 12pm 65pm 11pm 12pm 6pm 11pm 43pm

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT – ACTUARIES INDICES

EQUITY GROUPS			_						<del></del>		<del></del>		<del></del>
	& SUB-SECTIONS		Tue		Februa		i 1988	8	#e Fet 15	b Fe	eb	Ting Feb 11	Yea agu (aggr
•	Figures in parentheses show number of stocks per section	No.		y's Yiel	mings [ etd% Yik laou) (A	Gross Div. ield% Act at 27%)	Est. P/E Ratio (Net)	nd adi. 1988 to date	Inde			ndex No.	Inde No.
	1 CAPITAL GOODS (209)	724	59 -0.	<del>  </del>	<del></del>	<u> </u>					- 1	_ '	l —
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FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS			Mon	Year	
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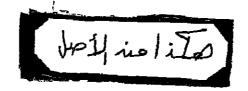
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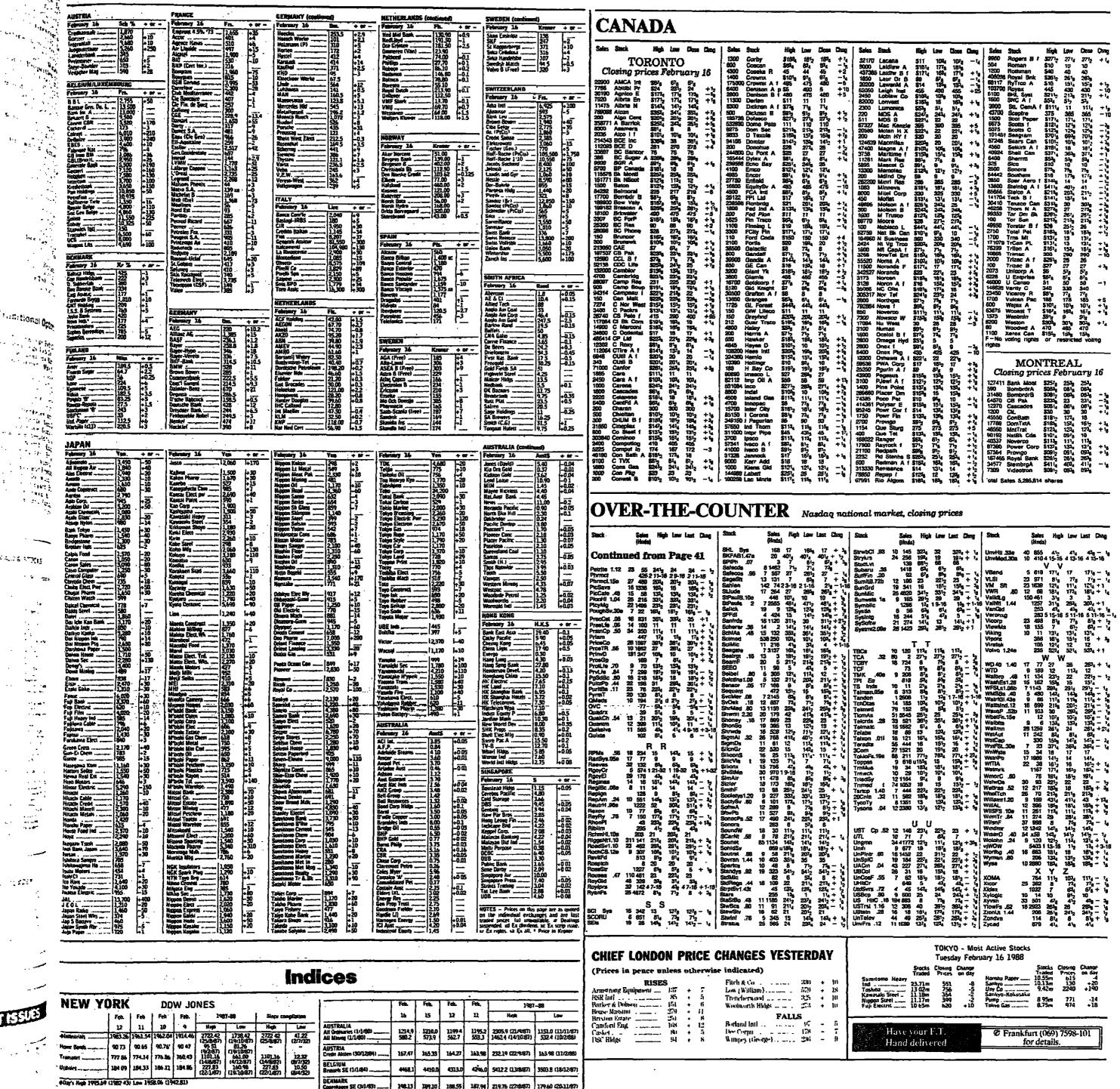
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#### WORLD STOCK MARKETS



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Continued on Page 39

#### **AMERICA**

## Takeover activity adds life to listless markets

#### **Wall Street**

EQUITY DEALERS returned from their long holiday week-end to face another dull day of takeover activity, writes Janet the first time since January 7.

The least-

Bush in New York.

The largest movements continued to happen in the US
Treasury bond market which continued to fall, reflecting a waning of hopes that the US
Federal Reserve was easing monetary policy and could even have been planning a cut in its discount rate.

One of the biggest movers on the equity market was Firestone Tyre & Rubber which jumped \$9½ to \$45 after the company announced it was consigning its tyre business to a following planning a cut in its discount rate.

The Dow Jones Industrial a sale of its tyre business.

Average hovered around Fri.

Gay's closing levels for most of jumped \$3% to \$63% by midsesthe session before jumping suddenly in the last half hour of business to close 22.71 points higher at 2,005.97. Volume was low at just over 135m shares.

Meanwhile, bond prices fell by more than a full point in or \$5.75bn. Campeau had previously bid \$61 a share. early trading before recovering ously bid \$61 a share.

to close up to % lower. The

The publishing sector

some time. However, despite
Friday's relatively encouraging
December trade figures and that it may be a target although
other data showing retail sales
holding up better than expec-

A DIP in the bullion price to just over \$444 an ounce sent nervous investors back to the sidelines and gold stocks in

The market's gold index eased 1 point to 1,332 in very

Among major gold stocks, Vaal Reefs lost R4 to R260, Freegold dropped 25 cents to R30.25 and Driefontein fell 45 cents to R34.50.

The publishing sector was set Treasury's benchmark 30-year long bond closed \$\frac{1}{2}\$ down to yield 8.46 per cent.

The equity market gained more than 70 points overall last week, its best performance for near future.

The publishing sector was set held yesterday by British publisher Mr Robert Maxwell. He said he was considering a hostile acquisition in the US in the week, its best performance for near future.

#### SOUTH AFRICA

Randfontein edged up R1 to R216. Western Deep put on R2 to R106 while Kloof was unchanged at R31.50.
Diamond share De Beers gave
up 10 cents to R23.90 and other Johannesburg turned mixed with an easier bias.

minings and mining financials

Industrials were also mixed. Oil-from-coal stock Sasol rose 15 cents to R6.90 in busy trad-ing and industrial holding company Anglovaal Industries shed 50 cents to R26.75.

ted, the market still seemed to well. Macmillan added \$3% to have little conviction and has \$62% while Harcourt Brace Jovanovich, which successfully fended off a bid by Mr Maxwell derived little benefit from the shake-out in the bond market. Nevertheless, many in the market will draw comfort from

last year, rose \$4 to \$64. The star performer was Addison-Wesley Publishing Cowhich soared \$46 ½ to \$101 on news of its agreed takeover by Pearson worth \$105 a share.

The computer sector was also in focus yesterday after Inter-national Business Machines' launch on Monday of new soft-ware for its mainframe computware for its maintrame computers which will make them run faster. IBM's share price added \$1% to \$113%. Honeywell Bull, a joint venture with Honeywell Inc, introduced three new models to its family of medium-scale computers and a number of new software tools. Hone-ywell's share price rose \$% to \$63%. Tandem slipped \$% to \$184. The company announced it had signed an agreement in which Ungermann-Bass would become its wholly owned sub-sidiary in a deal worth about \$260m. Ungermann-Bass rose

\$3% to \$12%. Coca-Cola Enterprises was unchanged at \$14% after its announcement of fourth quar-ter net earnings of \$14.3m compared with a loss of \$1.1m a

year earlier.
Bear Stearns announced net earnings of 40 cents a share in its third quarter ended January compared with earnings of Bear Stearns was unchanged at \$12%.

#### Canada

RISING energy issues, industri- Press. als and mines pushed the mar- The Nikkel average gained in Toronto.

dropped about five points in 696m against Monday's 661m earlier trading, rose 27.08 to and advances outnumbered 3136.79 on turnover of 24.8m declines by 524 to 375, with shares.

# Firm dollar lends support to blue chips

active buying in blue chip industrials, lifting share prices on major bourses in Europe yesterday. Dutch and French stocks continued to be swayed by takeovers and bids but lost ground near the close as nervous selling set in.
FRANKFURT extended its

rally for the fifth consecutive session as blue chips advanced on the dollar. The bourse ses sion closed an hour early brations but turnover was

heavy.
The FAZ index edged up 2.57 to 443.36, its second consecutive 1988 high. In cars, Daimler raced ahead

and VW rose DM5 to DM239. Engineer Linde surged DM12
to DM564 and Karstadt soared
DM14 to DM414.

PARIS dipped on afternoon
profit-taking after a day full of
bid and master a programmer.

bid and merger announcements. chips led the way, taking the The CAC index opened up 2.5 at 290.9 in moderate trading. 4,468.18. Recent heavy trading in tional end-of-trading-account selling materialised. Before yes-

risen by almost 15 per cent since the account began on January 22. It closes on Friday. Bid activity focused on Telémecanique, with Framatome launching a FPr4,150 a share counterbid for the electronics group, topping Schneider's FFr3,900 offer. Télémecanique shares, due to resume trading yesterday, were suspended

ndefinitely. Shares in construction group Société Générale d'Entreprises, which had risen sharply on Monday, were also suspended prior to news that its parent company Saint-Gobain was in tive 1988 high.

In cars, Daimler raced ahead link their construction interwith a DM21 advance to DM670 ests. Saint-Gobain rose FFr3 to FFr417 and Générale des Eaux

BRUSSELS firmed across the board in moderate trading, helped by the stronger dollar and easier interest rates. Blue

. London

UNENTHUSIASTIC UK MARkets digested news of a \$6.3bn (\$11bn) PSBR surplus and continued to drift. The PT-SE 100 dipped 4.6 to 1,734.6 in thin turnove Internationals were flat. BP eased in sluggish trade as the market awaited annual trading figures.

ket, with funds from the sale of La Générale stock being moved into blue chips. Générale turnover was the lowest since the bid battle for Belgium's biggest company began and its shares closed up BFr130 at BFr4,860. AMSTERDAM closed off the day's highs after late profit-taking was triggered by an unsteady opening on Wall Street and a late dip in the dol-lar. The ANP-CBS index rose

2.8 to 229.2. Transport company Nedlloyd, facing a possible hostile take-

191.50. Publisher VNU and takeover runnaner VNU and takeover target Audet ended off their day's highs. Audet was unchanged at Fl 290 after reaching Fl 308, and VNU finished up 70 cents at Fl 69.70 after a high of Fl 72.50. Both issues resumed trading after a two-day suspension.

vo-day suspension.

MILAN closed mixed in volatile trading on the first day of the new monthly account period. Profit-taking followed Monday's sharp gains and volume was down.

Heavy buying of Iniziativa, the services group at the centre of the contested Ferruzzi/Montedison restructuring, took the stock to a high of 19,300, up

Montedison lost L15 to L1,085, Mediobanca fell L1350 to L168,600 and Generali ended down L300 at L81,550.

ZURICH advanced as the steady dollar encouraged for-eign buying in blue chips. The Crédit Suisse index rose 4.5 to 447.0 in moderate volume. Insurers and holdings were

over bid, closed FI I lower at FI broadly higher but banks continued to trail as investors awaited 1987 results.

MADRID received a boost from the resumption of trading in Banco de Vizcaya and Banco de Bilbao, supspended last month when they announced plans to merge their operations. The general index rose 1.56 to 249.03 in moderate activity.

Telefonica, which signed a cooperation accord giving it a 10 per cent stake in Fiat's wholly-owned subsidiary Telefonical telefonical subsidiary Subsid tra Spa, slipped 0.12 percentage points to 171.12 of par.

STOCKHOLM continued to rise in moderate trading with considerable interest in forestry shares and industrial blue chips. The market was cheered by low-cost labour agreements, improved profits and news that Sweden's industrial production in December rose 3.6 per cent.

**HELSINKI** turned optimistic as more good corporate results and continuing interest in for-estry shares lifted the market. The Units all-share index rose 2.8 to 576.7 in improved turn-

#### **ASIA**

#### Consumer and biotech issues boost Tokyo

#### Tokyo

STRONG interest in demand-related and biotechnology stocks helped push share prices higher for the fourth consecutive day, writes Shigeo Nishiwaki of Jiji Y9 before coming under selling pressure later to close Y8 lower

busiest issue with 13.02m shares, shed Y5 to Y756. ket ahead in moderate trading 138.19 to close at 24,345.66, in Toronto.

The composite index, which 24,368.88. Volume totalled popular, with Tokyo Electric Power gaining Y120 to Y5,230, Seibu Railway up Y110 to Y3,700 and Mitsui Real Estate

Sankyo was actively traded and ended Y20 higher at Y2,130. Yamanouchi Pharmaceutical gained Y110 to Y4,210 and Daiichi Seiyaku rose Y80 to Y3,430. Consumer stocks were bol-

adding Y50 to Y1,890.
In biotechnology stocks,

at Y551. Toshiba, the secon

Power utilities, electric rail-ways and properties were also

stered by reports that Tokyo department store sales rose by 9 per cent last month compared with the year before.

Australia

Sumitomo Heavy Industries, which has traded strongly for the past week because of its superconductor interests, attracted the most buying, with 23.71m shares traded. It rose

technology stocks were actively at 1,214.9 after a mid-session traded, but Kawasaki Steel and peak of 1,220. Nippon Steel both lost Y2 to Y354 and Y399.

insurances and other financials. returned to favour. Nomura Securities rose Y170 to Y3,540 cents to A\$4.33 and aluminium while Daiwa Securities and Yamaichi Securities ended Y130 and Y100 higher at Y2,280 and

Y1,780 respectively. Osaka Securities Exchange prices closed higher for the fourth straight trading day. The 250-issue OSE stock average gained 154.47 points to Y24,802.41 on an estimated volume of 117m shares against

#### Australia

strong, however, and Mitsukoshi finished just Y10 higher at
Y1,540.
Some giant-capitals and highSome giant-capitals and highLate Usta 107 January
lifted Sydney. Late profit-taking pulled stocks off their best
levels of the day, leaving the

North Kalgurli gained 3 cents-Securities houses, non-life to 60 cents, Western Mining, surances and other financials, which reported its results after the market closed, advanced 7 cents to A\$4.33 and aluminium

> Elders IXL put on 2 cents to A\$3.02. It reported an 83 per cent rise in profits for the fiscal first half ended December 31. per cent owned by Elders IXL, was unchanged at A\$2.35.

#### Singapore

have quelled the more rash motives for trading.

Supermarket chains performed strongly, with Jusco soaring Y170 to Y2,060, Uny

SELECTED interest in Malaysian stocks nudged share prices higher in quiet pre-holiday

Y290 to Y2,240 and Inageys soaring price for aluminium trading. The Straits Times Y220 to Y2,070. Buying interest and news of improved Australia industrial index rose 4.53 to in department stores was not so lian trade data for January 886.58. The market was open for half-a-day on the eve of Chinese New Year and will be closed today and tomorrow. Indications that Malaysia's

nrime minister was on the way to resolving the political situation helped stocks recover after recent sharp falls. Sime Darby was the most active counter and gained 2 cents to \$\$2.09. Consolidated Plantations was also busy and up 2 cents to

#### **Hong Kong**

VOLUME remained thin in haif-day trading leading up the three-day Lunar New Year holiday starting today, with the Hang Seng index gaining 26.29 points to 2,328.04.

Turnover reached HK\$279m, against Monday's HK\$409m. Among blue chips China Light rose 50 cents to HK\$17.90, with Swire Pacific A shares adding 20 cents to HK\$15.50.

#### Peter Ungphakorn in Bangkok examines a revival of foreign and local interest Thai bulls make shy re-appearance

FOREIGN INVESTORS are that of the Philippines but less showing confidence in Thailand than an eighth the size of Hong as the market stages a come Kong - Black Monday revealed back following the shocks of the extent of its international October 19 that halved the links. Investors on the SET

muted than during the boom of had little impact on the market, the first three quarters of last indicating the improving confi-year. The market is waiting to dence investors have in the see whether the recovery in SET. foreign investment - one of last sector, which could slow invest-

in December and Baht 100m in world recession is avoided, January. Foreign investment economists expect growth to be was growing but was not yet only slightly slower and inflaback to the levels of mid-1987. tion to be manageable as long.

NATIONAL AND

Figures in parentheses show number of stocks per grouping

Australia (93). Austria (16)....

Selgium (90). Canada (127)

France (123).

Italy (94). Japan (457

Spain (43) Sweden (32)

Europe (967)

Pacific Basin (682)... Euro - Pacific (1649)... North America (713)...

Norta America (713) .... Europe Ex. UK (639) .... Pacific Ex. Japan (225) World Ex. UK (2109) .... World Ex. UK (2109) ....

World Ex. So. Al. (2376). World Ex. Japan (1980) .

The World Index (2437).

Mexico (14)..... Netherland (37)

New Zealand (24) Norway (24) ...... Singapore (26) ..... South Africa (61) .

West Germany (94) . Hong Kong (46) ...... Ireland (14)

Securities Exchange of Thai-land (SET) index of share prices by December 11.

Some analysts are proclaim-ing that "the bull is back", but month to see how the US trade figures turn out. But Mr Maruey said last Friday's nar-the mood is nevertheless more rowed trade deficit this time

Fundamental strengths year's driving forces — will be remain. Last year was a boom sustained, and whether tightening liquidity in the financial ticularly manufacturing and exports, with growth estimated at around six per cent. Most of sector, when could saw more than the sectors represented on the Phadoongsiddhi said yesterday 130-security market performed that foreigners had made net better than that.

This war provided severe

The latest of a series of new investment funds, the Thai Inc. is due to be listed on lapse, the SET index ended 1987 up 38 per cent at 284.94, Fund Inc, is due to be listed on the New York Stock Exchange 1987 up 38 per cent at 284.84, today, with capital of \$60m. A although this was still way \$50m Thai-Euro Fund has been below the October 16 record of approved for listing in London, and a \$50m Thai Growth Fund per cent on the year-end at a planned for Tokyo.

Over 1987 as a whole, foreign

HONDAY FEBRUARY 15 1988

Sterling Index

80.09 71.97 98.79 98.21 98.17 69.49 62.96 74.35 91.16 127.59 94.24 129.07 84.51 58.96 86.47 104.91 113.13 93.29 67.42 106.70 89.28

84.89 123.68 108.18 89.65 71.35 76.58 107.76 100.00 100.56 87.65

100.59

Indosuez Asia Investment
Services Ltd manages the new investors would have earned on average 43.61 per cent in capital gains on dollars invested at Singapore.

Even for a market as small as the beginning of the year. At Thailand's — capitalisation is the end of December foreign now about Baht 165bn, twice investment in the market, at

US Dollar Index

94.31 84.76 116.34 113.31 113.25 81.83 74.15 87.56 107.40 67.72 150.26 110.99 152.01 102.44 101.83 123.55 109.86 79.40 125.65 109.86

99.97 145.66 127.40 105.58 84.02 90.19 126.90 117.77

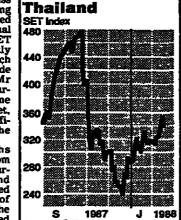
118.43 103.22

118.46

Day's Change %

+1.3 +0.5 +1.2 +0.7 +1.7 +0.6 +4.1 +1.5 +2.6 +1.0 +2.5 +0.6 +3.3 +1.4 +0.0

+1.2 +1.6 +1.5 +0.1 +1.7 +1.0 +1.5 +1.0 +0.9 +0.5



\$475m, was almost five times the level at the beginning of last year.

More than half this invest-ment on the SET is said to have come from Hong Kong, about a 25 new companies this year, quarter from London, and 15 representing registered capital per cent from Singapore. The per cent from Singapore. The Japanese, who are investing directly and massively in manu-facturing in Thailand, are also beginning to show an interest in

During last year's bull mar-

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co.

Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

88.14 75.25 102.85 103.83 102.56 98.38 74.00

65.80 87.63 97.16 63.19 123.52 110.69 379.92 87.06 55.27 89.72 94.91 76.62 116.37 98.97 69.09 106.70

87.33 120.77 107.44 105.08 75.14 85.19 107.11 106.36 106.60 97.77

106.39

Gross Div. Yield

5.16 2.78 4.64 2.89 1.88 4.67 3.09 4.67 3.09 5.94 5.94 3.45 2.54 3.50 2.65 2.41 4.56

3.91 0.77 1.76 3.53 3.46 4.91 1.84 2.22 2.40 3.73

93.11 84.35 114.46 111.94 111.32 80.93 72.92 87.20 106.67 64.67 147.88 109.40 148.11 198.58 67.92 101.20 119.68 132.80 132.80 177.70 124.87 177.70

98.81

143.39 125.58 105.50 82.64 89.26 125.07 116.61 117.31

2.42 117.33

A number of precautionary measures have been introduced or are planned, however, such as legislation to set up a Securi-ties Exchange Commission, currently being drafted.

The 32 brokers with seats on degrees of enthusiasm, set up the Ruam Pattana ("Joint Development") Fund designed to stabilize share prices. About Baht 430m has been spent on supporting the market, with the aim of spending a total of Baht 500m by next week and since the crash.

The limit on daily share price movements is now back at 10 per cent, indicating the recovery from last year's turmoil. the limit was narrowed to 5 per

ent. Last year's Baht 123bn turnover was the best ever. Price carnings ratios, which climbed to about 14, now average about 11. And the SET hopes to list

Among the candidates are four state or semi-state enter-prises: Thai Airways International, Bangchak Petroleum, Krung Thai Bank, the second large commercial bank, and Thai Oil Refinery Co. Of these, ket, officials expressed concern about rash speculation. Post-October experience seems to date for partial privatisation.

DOLLAR INDEX

1987/88

85.36 84.35 94.63 98.15 98.18

72.77 67.78 73.92 93.56 62.99 100.00 93.76 90.07 87.70 66.87 95.51 81.21 100.00 88.50 73.65 99.65 91.21

92.25 100.00 100.00 91.68 78.89 82.92 100.00 100.00 92.98

139.73 | 100.00 | 112.24

1987/88 High

180.81 102.87 134.89 141.78 124.83

121.82

104.93 158.68 160.22 112.11 161.28 193.64 422.59 131.41 138.99

174.28 198.09 168.81 136.64 111.11 162.87 137.42

130.02 158.77 143.65 137.55 111.97 164.03 143.38 138.82 139.47 134.22

Currency Index

87.51 74.93 101.33 102.33 102.13 102.13 73.44 64.91 96.82 60.90 122.60 108.83 370.19 94.15 74.75 116.50 97.62 67.78 105.14

86.59 119.87 106.60 105.00 74.12 84.64 106.24 105.76 106.04 97.38

79.33 71.87 97.52 95.38 97.85 94.85 68.96 62.14 74.30 90.98 55.10 126.01 93.21 126.20 84.00 57.87 86.81 106.40 89.59

84.19 122.18 107.00 89.89 70.41 76.06 106.57 99.36 99.96

(abbunr) ago Aear

106.43 94.68 107.18 119.09 115.29

110.39 90.77 108.31 115.10 98.68 112.31 128.96 104.02 86.38 111.21 113.79 113.37 97.83 117.75 115.42

106.72 111.83 109.79 115.61 95.11 105.77 110.18

111.71 112.23

# GT's new Universal Growth Fund. We're well placed to see that it grows.)



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as a distributor fund for UK tax purposes. You will be able to deal daily in both US Dollars and Sterling.

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US S (adex), 90.791 (Pound Starling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Machandie & Co. Ltd.1987 US salvies closed February 15.
Lelest prices were crawalishte for this edition.

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# **SECTION III FINANCIAL TIMES**



Construction has been maintaining a rapid pace in London and the South East. However, contractors are

concerned about long-term issues such as a growing shortage of building land, more VAT, and the arrival of Japanese construction

groups. Andrew Taylor reports.

# Big increase in workloads

HIGH ABOVE the City of London the great cranes heave and strain as yet more glass, con-crete and steel offices start to

just started at Canary Wharf. South lies the Kent coast and the beginning of the Channel Tunnel, destined to become one of the world's great construc-

it has, in the words of the industry, been a scintillating year for British construction. ondon and South East England have led the way with a mas-sive increase in workloads which has left the region gasp-ing for breath and contractors worrying about where the skills are going to come from to com-plete all the developments

planned.

There is unlikely to be any-let-up in pace during 1988, with industry analysts forecasting a further increase in output of between 3 and 5 per cent, depending on whether Channel Tunnel orders are included in

Longer term, the collapse in share prices and worries about overheating in the private housing market are casting a shadow over the industry. It will be some months however before any effects are likely to be felt on the building site.

which will be built this year are either under way or are so far advanced in planning and fundclimb out of the ground.

To the east lies London's former docklands where Europe's biggest office development has

next few years include:

The impact the fall in share prices has had on demand for office space in central London, with cutbacks in staff already announced by a number of large financial services groups.

Possible imposition of Value Added Tax on commercial construction under the European

struction under the European Community rules — which could push up the cost of office rents to bodies currently VAT tax exempt, such as banks, pension funds and insurance groups.

 Movements in interest rates; builders hope that interest rates will stay low and mitigate any impact on investment confidence caused by the stock market crash - this could be particularly important to private housing in areas such as London's docklands where a high proportion of shareowners have invested in the US was and investment professionals also be worrying about the effect of the dollar's slide on

of the water and electricity industries, with construction companies increasingly looking for ways of using private finance to supplement public spending on infrastructure.



## ● The Housing Bill, which is designed to encourage greater private investment in rented housing. This will mean further cutbacks in local authority new building programmes - falls which, in the short term at least seem unlikely to the effect. least, seem unlikely to be offset

tractors have recently earned 21 per cent of turnover in the US, mostly as a result of acqui-

ccommodation.
Other concerns likely to occupy the minds of contrac-tors include the recent arrival Building material companies will continue to worry about imports to the UK. Cement of Japanese construction groups and US construction manufacturers continue to management companies, anxious to share in the booming UK learn to live without their price fixing cartel which they aban-doned a year ago after 53 years. Plasterboard manufac-British contractors and build-

ing material companies which have invested in the US will turers face new competition, both British and foreign. British government efforts to encourage investment in the overseas earnings.
Morgan Grenfell Securities inner cities will be watched may never again be as buoyant closely by construction compa. and that development needs nies, most of which, rather cynically, do not expect to see any significant increase in workloads apart from one or two highly-publicised schemes. says Britain's top 15 building material companies earn an average 19 per cent of their turnover in the US. The brokers add that the top 15 British con-

by a corresponding increase in private investment in rented

construction market.

Skill shortages and the need be over the stock market slide and the longer-term implica-

tions this may have for invest-ment and in particular for the

have announced redundancy plans this year include: Midland Bank, which is pulling out of

the UK institutional equity which has still to enter the market; County Natwest, the development pipeline. Many of investment banking arm of these proposed developments National Westminster Bank; are refurbishments or schemes Barclays de Zoete Wedd, the planned to be constructed on securities firm; Credit Suisse sites where older offices; some Buckmaster & Moore, stockbrone no more than 20 years old, will kers; L.F. Rothschild the New be demolished.

house.

So far these setbacks have 1989. Most expect output to failed to make any significant impact on the City office market and there is little evidence, for the moment, to indicate that rents and lettings are about to the carry 1970s.

To into reverse.

Source: NEDO,BMP &SBCI Severy Milin utors to last year's 7 per cent rise in output - the highest annual rate of growth since the ft of office accommodation is

CONTENTS

Construction output

Total all work

1977 78 79 80 81 82 83 84 85 86

**Forecasts** 

- NEDO BMP

Sevoury

Rail systems Commercial property

£ billion (at 1980 prices)

Labour shortages Housing The housing Bill

Building ma Planning

24

23

.21

European laws Roads programms

Japanese companies Professional roles

**Hustration: John Better** 

Channel Tunnel

under construction in the City, which currently has a total office area of about 65-70m sq Most of the 8m sq ft under construction has already foundtenants, leaving just under 2m sq ft not already spoken for, say the agents.

In addition, planning consents

the UK institutional equity which has still to enter the market; County Natwest, the development pipeline Manual M

Skill shortages and the need to improve training schemes to fill the gap will continue to occupy the mind of industry.

But the greatest concern will—But the use of the greatest concern will—But the greatest concern Most forecasters expect that

ment and in particular for the London office market.

Mr Michael Cassidy, chairman of the City of London Corporation's planning committee, following Black Monday warned:

"Future planning must take into account that financial markets and their silittle evidence, for the moment, to indicate that struction activity at its higness treats and lettings are about to go into reverse.

Few deals, if any, have collabely continue to lead the lapsed because of problems in the financial markets. Large amounts of office space are still under construction and a number of new buildings are planned to start shortly.

Private sector investment is likely to continue to lead the amounts of office space are still under construction and a number of new buildings are planned to start shortly.

Private housing and office development, particularly in and the South East, Jones Lang Wootton, commerdevelopment, particularly in cial estate agents and chartered London and the South East,

surveyors, estimates that 8m sq were two of the biggest contrib-

mid-1960s.

87 88 89

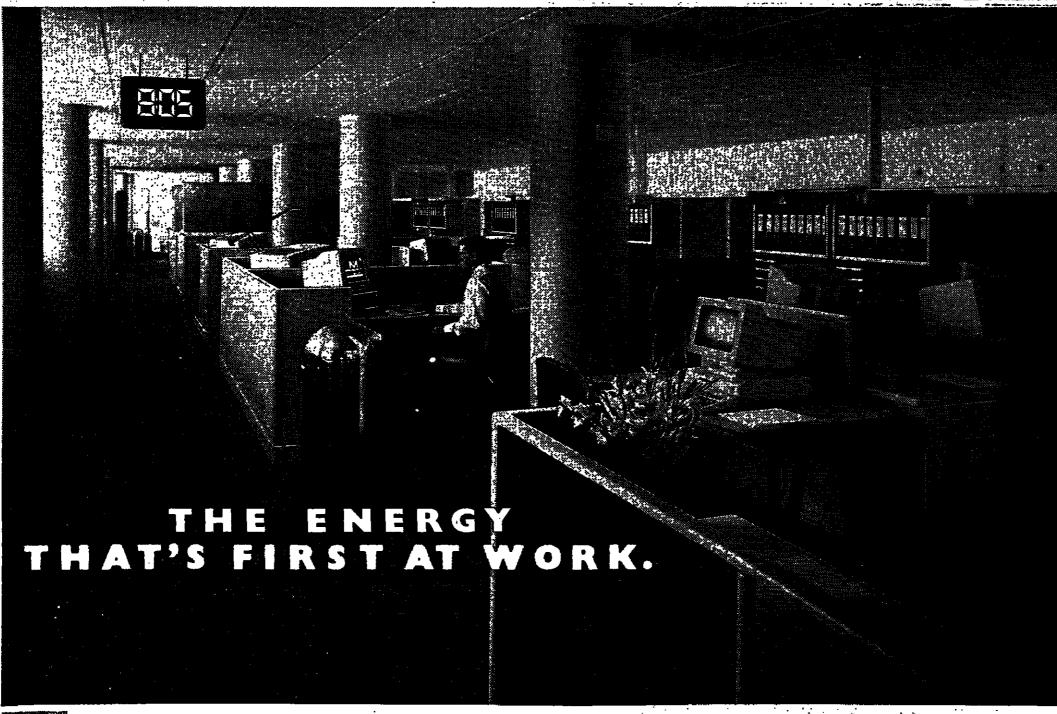
Housing and offices are expected to remain important sectors during 1988 but there are likely to be subtle changes in the shape of the market. Regional markets, like the West Midlands, are becoming more important as economic

recovery has spread from the South East to other regions Birmingham, beaten 15 months ago by Barcelona in the competition to stage the 1992 Olympics, has more than £1bn of construction work under way or proposed, according to local officials.

Schemes include a £250m redevelopment of the Bull Ring shopping centre; a \$180m city centre shopping market and sports hall, and a \$120m convention centre funded partly by the National Exhibition Centre and partly by Enverger Conand partly by European Community grants.

James Capel, stockbrokers, says closer examination of government figures shows that construction orders, expressed in constant prices, increased by 7.4 per cent in 1986 with most of the gain concentrated in the South East. During 1987 orders are thought to to have risen by about 15 per cent but with increases spread much more. evenly around the country.

Continued on page 8



omical. And it can

he matched to exact

new advances in

requirements.

4,

hen it comes to work, gas is the first choice, gas technology, and it's hardly surprising gas is the naturally. It's clean, It's infinitely controllable. It's econ-preferred choice for space heating, water heating and

> Consider for a moment, this newly refurbished Mercantile Credit

for catering.

Head Office in Central London.

If its interior looks impressive, so, equally, is its heating and air conditioning system. It features some of the most up-todate gas technology; namely, 49 gas-fired chiller/heaters. Formed into a modular system, they provide the energy for the heating and air conditioning of the entire complex.

Each chiller/heater serves eight to ten fan coils which

are hidden behind the panelling around the perimeter of the office area.

They are specially designed for office applications, producing very little noise or fluctuation in temperature.



(This is just one example of the latest gas technology, at work. Other innovations such as condensing boilers, radiant heating systems and direct fired air heaters are shown below.)

Mercantile Credit chose this design above all others.

It is the first major scheme of its kind in the UK and replaces the building's old centralised plant.

Apart from being cheaper to install. this system offers one other significant adventage.

it creates the very minimum of disruption during installation.

So, at Mercantile Credit's prime Central London location, decanting of staff proved completely unnecessary.

For British Gas this is simply as example of what the future will be like. More is on its way.



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the forecasts.

#### **BUILDING 2**

#### Rail systems

# Fertile plans

PLANS TO BUILD a new gener- also issue special revenue ation of mass transport systems are likely to provide one of the most fertile areas for interna-tional construction orders as some of the world's biggest cities seek to relieve the strain

from overcrowed roads.

Many of the proposals to build tram, light railway and the city. underground train networks call for a mixture of private and public finance to pay for

But it will require close co-operation between national and local government and private landowners, investors and construction companies, if developfinanced in this way.

financed in this way.

Plans for privately-financed mass transit schemes in Britain have been mooted by a munber of cities. Among the most most advanced are proposals from Bristol, Manchester, Birmingham, and in the South East for a new rail link between Heathrow Airport and Paddington Station.

given the go-ahead for a \$40m mixed-funded light railway system in Manchester for which Manchester City Council will-provide part of the public sec-

provide part of the public sec-tor's share of the cost. However, British local authorities have less flexibility to offer financial and planning inducements than cities in the Far East and US which have much more local autonomy and are more freewheeling in style.

Mr Nicolas Lethbridge, an
assistant director of Schroders merchant bank, currently advising on the privatisation of the Mass Rapid Transit Corpo-ration in Singapore, says US

cities in addition to providing part of the capital cost may

UNCERTAINTIES ON the stock market have caught the prop-erty development and invest-

ment industry at a time when it

is finely poised.

bonds to underwrite part of the future income of private trans-

Dallas for example has a one per cent sales tax which goes to the city's public transport authority which is proposing to build a mixed-financed metro in

US planning laws also permit authorities to be more adven-turous in offering planning permission to encourage investors to back local transport develop-

Nationalised industries and public authorities such as British Rail and the London Dock-lands Development Corporation have been investigating similar ways of using property devel-opment as a lever to raise private investment to pay for pub-lic transport facilities.

British Rail by allowing pri-vate developers to build above and around the mainline stavictoria, has been able to use the proceeds to pay for the redevelopment of the stations. London Transport is considering similar plans to raise pri-vate investment to refurbish some of its Underground sta-tions - following the example

of the Hong Kong mass transit railway which exploited property development to build some of its stations. Olympia & York, the Cana-dian developer of the Canary Wharf office project on the isl of Dogs in London's docklands has already agreed to meet the cost of a westerly extension of the dockland's railway to Bank Underground station in the

A PROPOSAL to build a pri-vately-financed eight-lane motorway beneath London marks the latest attempt by a British construction company to rekindle the entrepeneurial spirit of the great Victorian engineers, who raided private fortunes to build and run railways in the 18th century.

The proposal by Richard Costant

tain, the mining and construc-tion group, which has an annual turnover approaching annual turnover approaching albn a year, would involve financing and building a 16-mile motorway tunnel in a submerged tube beneath the bed of the River Thames.

It is just one of a series of

international proposals by con-struction companies to tap pri-vate finance to build and operate public services such as roads, railways, power stations, airports, water and sewerage

lants. These efforts have been stimulated by moves by govern-ments worldwide to cut public sector borrowing, reducing con-struction export orders in the

process by more than a third since 1981. Examples of British companies involved in privately-fi-nanced infrastructure projects nclude Freeman Fox and Part-

include Freeman Fox and Partners, the consulting engineers
which designed the \$385m
Eastern Harbour tunnel crossing in Hong Kong,
Freeman Fox, now called
Acer following its merger with
engineering consultants John
Taylor, also designed the Sidney Harbour Tunnel consents in ney Harbour Tunnel crossing in Australia.

Both projects are being financed privately by Kumagai Gumi, the large Japanese contractor, which will obtain its the tunnels

Trafalgar House is another British company with high hopes of winning privately-financed infrastructure projects abroad. The construction, propabroad. The construction, property, shipping and hotels group is bidding to build the third Bosporus bridge in Turkey which is expected to be financed privately.

Trafalgar is also thought to
be pursuing privately-financed

Proposals are being made for ambitious private projects

# Reviving the Victorian spirit

1986 the group won a concession from the British Government to build a privately-financed road bridge across the River Thames at Dartford.

However, the Government's experience of getting private-ly-funded projects off the ground has been surprisingly mixed for an administration which champions private sector enterprise and initiative.

Several schemes have found-ered on what contractors claim is Treasury ambivalence towards private financing schemes. Trafalgar House won the concession to build the Dartford crossing only after the Cabinet over-ruled Treasury objections

Even then, Treasury officials tried, unsuccessfully, to deduct the cost of the bridge from the public sector transport budget, the contractors say.

They claim the wording of

Treasury rules, designed to ensure that privately-financed

Construction companies want to tap

private finance to build and operate public services

projects produce value for money, makes it very difficult for any project to be approved. They also take exception to Treasury's insistence that private investment should not be used as a lever to increase national spending on infrastruc-ture on the grounds that government spending targets should determine what proportion of national resources should prudently be spent on infrastructure, irrespective of whether projects are financed publicly or privately.

Much of the incentive for contractors to propose privately-fi-

nanced projects would be removed if these schemes do not result in any increase in the industry's workload.

But it is the wording of the Ryrie Rules, which is the biggest bone of contention between scenario and previously fallen foul of the through the game when companies may have already spent large sums of money preparing their proposals and getting scheme at Flag Fen and the prince of the previously fallen foul of the through the game when companies may have already spent large sums of money preparing their proposals and getting extends the previously fallen foul of the through the game when companies may have already spent large sums of money preparing them.

4 Lane highway

Proposed Capital Crossway

gest bone of contention between construction companies and Centre. So far only the conference of Centre in Centre in Centre investors.

Centre in • Finance must be raised at competitive rates and entirely at the risk of the private inves-tors; there must be no direct or indirect state financial guaran-

 The higher cost of raising money from the private sector must be offset by cost savings Contractors claim the rules any scheme to be approved as it very difficult to identify savings which could not technically be achieved under public

Junctions and scene

P Parking

not encourage private compa-nies to bring forward private financing proposals.

None of this has prevented companies from proposing some fairly ambitious schemes. Cos-tain in addition to its plans for the new Dartford Bridge which, according to Trafalgar House, would significantly increase the cost of the project and could

force the company re-submit its financial proposals.

MPs voted to include the windshield during special select a new London underground motorway has proposed two ford Crossing Bill. Ministers. not wishing to delay the Bill anxious not to disrupt the project, are expected to propose England which would link with a partial rather than total project, are expected to propose England which would make which would make which would make a partial rather than total the Channel Tunnel, and a plan to turn the M25 motorway

nanagement.

however that MPs should seek way by constructing an extra

Developments which have

to change the rules halfway road deck 40 to 60 feet above

Costain says its plans are not very advanced but it has chosen to publicise them at this early stage to try to generate the kind of dialogue between government. construction comgovernment, construction com-panies and financial instituons which would be needed if these ventures, and others like them, are to have any chance of Other construction companies

the existing road.

such as Tarmac, Wimpey and John Mowlem have formed consortia capable of building privately-financed prisons and

John Mowlem privately financed, built and now operates the short take-off and landing airport (Stolport)in the London docklands, It is investigating possibilities for building other Stolports at Sheffield, Cardiff and in Paris.

Trafalgar House and John Laing have formed separate joint ventures with privately-owned French water compaowned French water compa-nies, to take advantage of gov-erument proposals to privatise Britain's water industry. Tra-falgar House has also prepared plans to take advantage of plans to privatise the electricity

supply industry.

Many of these schemes are just dreams at the moment. If Britain wants such initiatives to succeed and become more commonplace, it will need to encourage much greater co-operation between national and local government, construction companies and financial institu-

It could do well to study countries like France, which has had private water compa-nies operating since 1853, the US where virtually every other city has plans to tap private finance to help pay for public transport projects, and in the Far East where there is much

more recent experience of pri-vate financing schemes.

A common denominator in all these countries is the preparedness of public authorities to work closely with private companies in winning workboth at

Andrew Taylor

Though there are uncertainties, sectors such as retailing are buoyant in much of the UK

# **Developers weigh City prospects**

After a period when returns from property had sharply increased, when the sky had always seemed the limit, questions were being asked about how long the boom would last. The point is that the condi-The point is that the conditions affecting the City of London are individual to that district, although they might have some spill-over into branch activities of financial houses in

It is true that the market crash has sharply diminished the possibilities of expansion through the issue of high-priced major regional centres. The property market in the regions, though, is far more tightly linked to movements in the national economy. The property industry as a whole has tended to push to the backpaper. But it is equally true that developments, and plans for development, have contin-ued apace. And this has not been confined to London and the South East. It has been a ground warning signals like the balance of payments figures and has been working on the assumption that economic growth will continue. The key effect of the market

crash has been to remove what had been perceived as the cer-tainty of sustained growth in the City of London. It is not that the market will stop grow-Indeed, activity has increased to the extent that worries have emerged about the supply of skilled labour and the way that ing now, but that it might reach a plateau sooner than once this is being siphoned into the South East.

expected.

Like everybody else, developers and investors are still trying to weight the effects of In the North West, some com-panies are said to be paying a premium to construction work-ers not to go to London. In South Wales, the Bailey Group has reported that at a develop-ment in Traforcet brighwork retrenchment in the securities houses against the countervaling factors of London's position as an international financial ment in Treforest, brickwork labour costs have increased 27 centre and the rising demands of the services industries. per cent since October.

This is not to suggest that there is a boom everywhere and in all sectors. The picture, rather, is patchy.

Generally, the retail development sector remains buoyant. Developers have been searching for sites in market towns and for schemes in city centres. They have been promoting the construction of major centres on the edge of, and outside, major conurbations, especially where there are motorway connections.

At the end of last year, Hillier Parker, the chartered surveyors, reported that the amount of shopping centre floorspace in the pipeline was increasing significantly. Between June and September 1987, the total amount of floorspace under construction, with planning consent or proposed mee from consent or proposed, rose from 108m to 130m sq ft.

The increase largely came from new proposals, with outof-town floor space accounting for the largest proportion. Developers, it appears, have not been deterred by any suggestion that the consumer boom might be essing off might be easing off.



In the offices sector, the presseven. Broadly, the surplus of investment in the City of Lon-sure for development is less space in the regions that had don and the flow of funds has

early 1980s has been mopped

up.

But rents, especially in the areas most markedly affected by the downturn of traditional industry and the recession earlier in the decade, have not been sufficiently high to stimu-late much new development.

This would be the case in cities like Liverpool and Newcastle and in areas like Teesside. By contrast there has been greater activity in Manchester space emerging in Edinburgh and Cardiff.

Characteristically, the developments have been prompted by indigenous growth and there has been only isolated evidence of a movement of funds by the institutions into regional cen-tres. Often the lack of an ultimate buyer for a speculative development has been, and remains, a deterrent for the developer.

The institutions have continued to concentrate their offices investment in the City of Lon-

continued since the stock market crash. But the amount of money they have been spending has been less than either owner-occupiers or developers.

Earlier this month, for example, Guardian Royal Exchange Properties in a joint purchase with C. Itoh, the Japanese trading company, paid more than \$21m for a Floet Street building next door to the Daily Express.

At the end of last year, there were 108 development schemes in the City. According to be cal-culations of Jones, Lang Woot-ton, chartered surveyors, starts were made on buildings last year to provide 5.8m sq ft of office space and total construc-tion activity covered 8m sq ft, of which just over half had been pre-let.

There is 11.47m sq ft of space in the pipeline - that is where planning consent has been granted but where construction has not started and there were authoriding planning applicaoutstanding planning applica-tions for a further 8.3m sq ft. At the moment potential take-up of speculative space, according to JLW research,

comes to over 9m sq ft. Un a statistical basis this could not be met in its entirety by con-struction already under way. So a key factor for the market over the next few months will be the extent to which projects with planning consent go

But the prospects over the medium term are further confused by the Canary Wharf development in London Docklands, where 6m sq ft of office space will be created in the first phase and will start becoming available from about 1990.

That space, which is being offered to occupants at total accommodation prices which those in the City itself, will become a potent market factor at around the time most estimates suggest there will be a rough supply-demand balance in the City.

There are then grounds for caution, not about the immediate prospects but about the lon-ger-term outlook for the City, a factor of which the City plan-ners are well aware. Their free and easy days are over and they will be scrutinising more carefully the projects to which they give planning permission.

Paul Cheeseright



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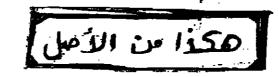


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Professional staff and skilled workers are at a premium while pay rates are rising, as Peter Bill explains.

# **Shortages of tradesmen** to feed the boom

FT MAY BE just a feeling but in the last quarter of 1987. At tradesmen who traditionally lands there are those in the construction the beginning of the upturn would come to Britain." tion industry, panicking six there was a problem but now months ago, who now feel slightly calmer when contemplating where the labour is to come from to feed the construction boom.

The beginning of the upturn there was a problem but now firms seem to be finding the labour.

"Not many people go down to London from up here; it's just that little bit far."

The PEC Procession and problem but now there was a problem but now firms seem to be finding the labour.

The word seems to have shone out into the darkness of the black economy: there is legitimate money to be made

There has been a 100,000 rise in tax certificates for the self-employed in two years - far

The state of the s

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self-employed in two years - far more than the number of brick-layers, carpenters and other skilled workers being trained. Now more than half the 600,000 of the lm building workers are self-employed.

But making professional managers, trained engineers, skilled architects and surveyors re-appear from the gloom is not an option. They are simply not there. Adding to the 300,000 technical, professional and clerical staff takes time. It is not really happening, and as those trying hard to staff the Channel Tunnel will testify, it is a real problem.

First the worries about bluecollar jobs. Currently the bal-ance between supply and demand is precarious. No more so than in London.

"We are not in a panic here more of a pressure situation," says Mr Peter Shapcott, director of the London region of the Building Employers Confederation. "Work is not being held up in any significant way, but there are local problems."

Docklands is the real pressure point, he says. Here the BEC in cooperation with the Manpower Services Commission and the Construction Industry Training Board is in the middle of trying to quantify the need and find somewhere to train the thousands of workers needed to North West was starting to build such projects as Canary cause problems. ewhere to train the thoubuild such projects as Canary

We are determined to avoid major dislocations," Mr Shap-

Moving in parallel to the rise in workload in London is the rise in pay. For a nine-hour shift, rates for self-employed carpenters and bricklayers rates have risen up to 25 per cent in the past year to between \$55 and \$60 a day on the big

Labourers' pay has moved more slowly, by about 10 per cent to £35 per day. Last month's survey of 600

most optimistic for 15 years. Two thirds of companies are working at full capacity; three quarters expect to win more work this year.
The dark side of this sunny

outlook is labour shortages. A year ago about half the companies reported difficulties in finding labour. Today four con-struction companies out of five complain about the scarcity of

bricklayers and carpenters.
In London the problem is now almost universal. Here 98 per cent of respondents to the survey complained that bricklayers were difficult to find. In the Fact of Fractical the figure is 95 East of England the figure is 95

Carpenters are nearly as scarce. In London and the East of England 96 per cent of contractors cannot find enough of them. In the Midlands the figure is 88 per cent and the South 89 per cent

89 per cent.
Problems over the supply of skilled labour has been evident in the South for at least a year. But it has been spreading

northwards.
The BEC trade survey shows a heartening increase from 32 to 59 per cent of companies in Scotland reporting more inqui-ries. But with the first ripples of the boom washing over Glas-gow and Edinburgh, the best labour is starting to disappear. There are indications now that contractors cannot set

that contractors cannot get good bricklayers or joiners, says Bob Campbell, director of the Scottish Building Employers Federation, "The change came

Rates for self-employed carpenters and bricklayers have risen up to 25 per cent, in parallel with the rising workload in London. Four out of five construction companies have

difficulty finding skilled people to do the work.

penters now. For bricklayers the figure is 42 per cent.

But one factor which helps up 19 per cent in 12 months - ease the problem in Scotland, 10 per cent on basic salaries, Mr Campbell says, is the tradi-

This is partly because over half the Scottish labour force is directly employed, Mr Campbell feels. With them, training youngsters is much easier than with the self-employed. The other reason, he says, is Scots builders intelligent use of the CITB and YTS training grants. "We make full use of them."

In Manchester the employers' confederation is more concerned. Mr John McDonald, the BEC industrial relations officer says there are two problems: "People are still going south, and there is no sign of it lessen-

"We haven't got to the stage of labour downing tools on one site and walking off to another for higher pay. The ball is still just about in the employers' court. But last year you could select the top labour; now you have to pay top money for second and third division opera-

In the North West 69 per cent of companies are short of brickof carpenters. In Bristol things, if anything, look slightly worse. But Michael Knight, regional director for the BEC in the South-West, sees hope.

"Finding tradesmen is very difficult but people are coping. Operatives are finding their way back into the industry. However, big jobs like the housing at Bradley Stoke is putting a tremendous strain on the sup ply of trained labour.

"The industry is resilient. We had a problem in the autumn, but in the past three months it has got better. The people just seem to appear. Nevertheless, 97 per cent of BEC members complain of the scarcity of bricklayers and 90 per cent of a shortage of carpenters.

In London, one of the major suppliers of sub-contract labour is more worried than the official voices. The whole problem here is not getting the men - its getting the accommodation to put them in," says Dan O'Neill of McGinley Construction.

He feels that in the next 12 months all the skilled labour his company is presently find-ing in the north of England and Ireland will be soaked up.
"Then we go to plan B - finding labour from wherever we can.
We have already written to the to the EC immigration office in Paris asking for help."

The traditional hunting ground - Ireland - is also becoming sparse, he says. "There are now 110,000 Irishmen illegally

The Agency says average sal-That traditional marker of aries for young quantity sur-carcity - rising salaries - is veyors were up 16 per cent to oringing smiles to the faces of £12,300 in the South and West; scarcity - rising salaries - is bringing smiles to the faces of and by the same percentage to £11,375 in the Midlands. Site architects, engineers and quanthat little bit far."

The BEC December survey backs Campbell's feelings. More than half the companies in Scotland cannot get enough car-

> In January the remuneration advisers Monks reported that pay of industry managers was

the rest in bonus. Lower down

engineers pay had gone up by 14 per cent in the south, and 11 Demand has not slackened in the traditionally quiet post Christmas period, says Andy Scope, general manager of Mon-trose. "We came back to work

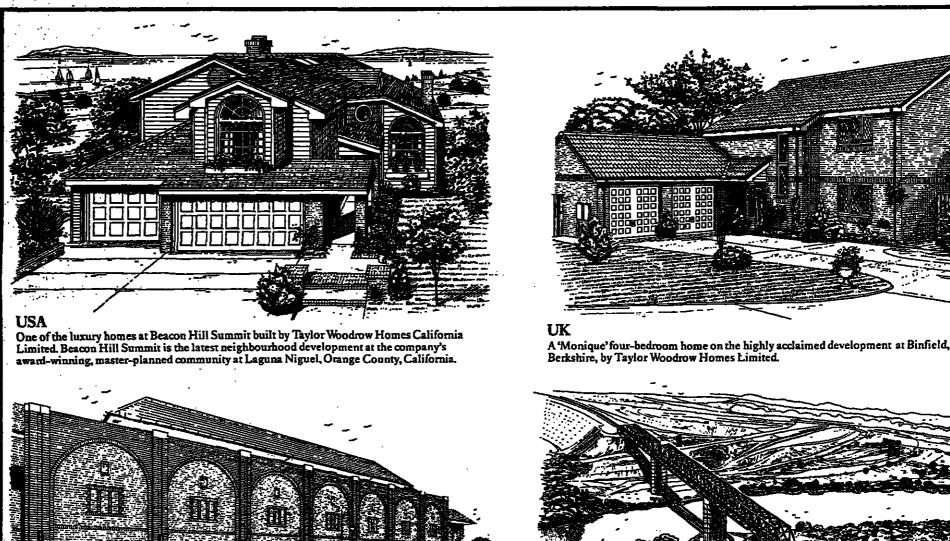
> on January 4 and within a couple of days we were doing as much as we were before Christmas. Demand is just as hard.

> "We are struggling to get peo-ple to come in but the vacancies are still coming in; there has been no slackening off in demand from employers.

> behind others in selling itself to potential staff. The fall in



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'Overall, 1988 should be another good year for building industry trading prospects. Among many issues, BEC will be campaigning for policies to boost 'inner city' regeneration, to tackle the scourge of 'cowboy' builders and to outlaw non-commercial contract conditions."

John Persons President of the Building Employers Confederation

The Building Employers Confederation is the most influential and effective trade organisation representing the widest range of building industry interests. Its members account for over threequarters of total private building industry output.

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THE Reagan-Gorbachev summit in Washington had barely ended when an East Anglian estate agent was advertising that house purchasers should hurry because prices were bound to go up as cruise missile bases and protestors would be

leaving The opportunism, optimism, and bared-faced cheek of estate

market change. Factors which are likely to influence and shape the British housing market during the next

year or so include:

The worldwide slide in share prices and the effect this is likely to have on the British economy and the housing market in particular,

 Movements in interest rates; builders hope lower interest rates and ready availability of mortgage finance may offset any decline in confidence following the stock market

• More planning battles between builders and conservationists as developers propose more country towns and large scale housing developments in rural and semi-rural areas.

 A widening gap between house prices and average salaries which is pricing even those on moderate salaries out of the housing market in southern and

 The inheritance factor, which will become increasingly important as previous genera-tions of house owners die and pass on the proceeds to their Morgan Grenfell estimates

that property inheritance flows

Signs of housing price resistance in South East, but ...

# Impact of share prices slide may be slight

and bared-faced cheek of estate are running at about £7bn a agents are perennial even if other aspects of the housing find its way back into the housmarket change ing market as people use the proceeds from their inheritance to repay mortgages earlier or to break into the market for the

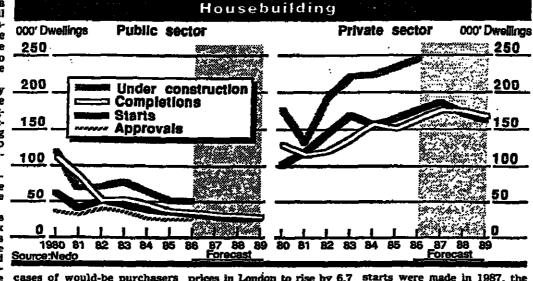
The Housing Bill currently 200 going through committee stage in the Commons will have a significant impact on private sector provision of rented housing increase housebuilders' workloads in the short term.

Builders will be more con cerned about the impact the stock market crash may have on sales

So far the housing market has been largely unscathed by stock market problems. House prices mostly have continued to rise and agents even reported slightly higher sales than nor-mal over Christmas, when the market traditionally is at its

prices nationally given that shares account for only 7 per cent of personal wealth in the

London docklands may be an exception. Prices in docklands have failen sharply since Black Monday and there have been



market traditionally is at its forgoing deposits rather than complete their purchases.

Most forecasters expect the silde in share prices to have very little impact on house prices nationally given that share attended to the share of the same of cases of would-be purchasers prices in London to rise by 6.7 forgoing deposits rather than complete their purchases. prices in London to rise by 6.7 per cent this year, before the crash it was forecasting a 10.6 job losses and salary reductions at financial services companies

in the City. It says price rises in London

er cent rise for London.

Nationally the centre expects

forecast inflation. Most forecasters also expect

imported softwood

Stockbrokers Barclays de Zoete prices to rise by around 12.5 Wedd (BZW) says, after talking per cent this year, lower than to 30 builders, that prices are the 15 per cent achieved last year; but still well ahead of been unseasonably favourable for building.
"Nevertheless, there are a

begun well for housebuilders.

could even fall below general the number of starts made on few clouds on the horizon," say inflation rates this summer. The centre nonetheless expects slightly this year after 195,000 dence of price resistance in few clouds on the horizon," say the brokers. "There is some evi-

Deliveries of building materials

Plasterboard

1982 83 84 85 86 87 88 89

Concrete

ending of the cartel," said

director of the medium-size

Staffordshire builder Linford.

"Several attempts have been

deliveries we are not getting David Battersby, purchasing

been a problem. But it was the made to increase prices, but threat rather then the reality of these appear to have been rising imports which broke the resisted by most builders."

A strongly recovering home construction

industry is straining UK suppliers to the limits

and busily sucking in imports from a sluggish

**European market** 

torically high price to earnings ratio, and the spectre of land. banks which may have been bought with over-optimistic to income ratio was this high

this year and for both to says. decline in 1989, says BZW. Savory Milln, a rival firm of the

brokers, rather cynically points out that the housing market always does less well the year after an election.

Building societies are particularly concerned at the pace at which house prices have been rising, outstripping the ability of even those in work to buy their own home.
A report last year by the Con-

servative-controlled Associa-tion of District Councils and the School of Advanced Urban Studies in Bristol found that up to 35 per cent of those in work in parts of the South East, notably Hampshire and Essex, could no longer afford to have that no longer afford to buy their

House prices in East Anglia and South East England rose on average last year by between 20 and 30 per cent. According to Nationwide, Britain's third

**Building materials** 

Imports bring growing trade gap

parts of the South East, an his- four times the national average

The last time the house price expectations for price inflation. was in the early 1970s when "For these reasons we expect annual house price increases "For these reasons we expect annual house price increases housing starts to have peaked fell from 42 per cent to 4.5 per last year, completions to peak cent in three years, the society

> It does not expect a similar collapse - prices measured against general inflation actually fell in the mid 1970s - but does expect prices to pause while incomes catch up.

One of the biggest influences on prices is the cost of land. In South East England land with planning permission can cost more than £1m an acre, according to Mr Alan Cherry, chairman of the House Builders Fed-

Mr Cherry, chairman and

managing director of Country-side, currently one of the South East's busiest housebuilders, says the shortages of goodquality sites in rural and se qualty stress, where people increasingly want to live, is likely to remain a major problem for developers who face strong opposition from conservationists, residents' pressure largest building society, an vationists, residents' pressure average-priced home now costs almost \$47,700, approaching local authority planners.

The issue has thrown builders, some of whom are among the Government's strongest supporters, into direct conflict with Tory voters in the shire counties which want to restrict further development in the areas in which they live.

It is a dilemma which Ministers have still to resolve. Statements by a succession of Environment Ministers have tended to contradict each other, stress ing on the one hand the sanc-tity of the countryside and on the other the need to find alternative uses for redundant agricultural land and buildings.

However, some builders believe they may be starting to win the battle following the granting of planning approved for a new 3,500-home develop-ment on the outskirts of Har-low, Essex and the decision by Mr Nicholas Ridley, Environ ment Secretary, to include 7,000 more homes in the struc-ture plan for Berkshire than is wanted by the county council

Waiting in the wings are a host of proposals for new coun-try towns and so-called neigh-bourhood developments which have been proposed by some of the country's largest house-

These will provide a major test of planning attitudes both of local authorities and the Government as it seeks to tackle the problems of humeles-sness in urban and rural areas.

Housing Bill

# New lease of life for the rented market

THE HOUSING BILL proposes the most sweeping reforms to Britain's housing market for

encourage private investment in rented housing by removing rent restrictions on new lettings and requiring voluntary housing associations to raise a greater proportion of their funds from the private sector.

The right of tenants to have rents independently assessed and set under the fair rent system is to be scrapped and rents will be expected to rise high enough to allow private investors a satisfactory return on their money.

landlord. Housing Action Trusts (HATs), with similar planning and land assembly powers as urban development corpora-tions, will take over responsibility from local authorities for running problem estates which eventually will be sold off,



logle

The aim according to Mr William Waldegrave, the Housing Minister, is "to apply simple economic logic to a sector of the housing market which has been smothered virtually to extinction by the effects of muddled thinking and projudice." thinking and prejudice." The impact of the Bill is being

Some councils have already begun to transfer management of individual estates to housing associations which, under the Bill, will be expected to play a major role in developing mixed public and privately-funded rented housing s Local authorities in some

parts of London have sold problem tower blocks to private companies which have substantially renovated the buildings and converted them into pri vately-rented luxury flats, with no problem in finding tenants. Building societies, even

before the Bill was proposed, had developed a range of mortgage services to help housing associations provide rented and shared ownership schemes aimed at the less well-off who cannot afford to buy their own homes and cannot find, adequate council housing.

Societies in future will be looking for new ways to break into the rented nousing market and not just providing housing

for the needy.
Nationwide Anglia, Britain's third largest building society, in the same week as the Housing Bill was published announced plans to provide up to \$600m in mortgages to a joint venture company it is establishing to acquire homes for private rent-

The joint venture company, Quality Street, established with four former employees of Glas-gow district council's housing local authorities as major providers of housing and to encourage private investments. pany flats for business people to housing for the needy.

Quality Street plans to own and manage more than 40,000 private rented homes by 1992 in cities such as Glasgow (where the company will start), Edinburgh, Dundee, Liverpool, Newcastle upon Tyne and Lon-

Housing associations too are looking at new ways of raising finance. Under the Housing Bill their money.

Council tenants will be given the right to choose a different their funds from the private

> independent investment body to raise private finance for association schemes by issuing bonds on the capital market has been established by the Housing Corporation, which administers more than 2.000 housing associations and by the National Federation of Housing Associations.

The fund issued its first pack age of bonds just before Christ-mas, raising £31m for six housing associations.

The associations are concerned however about the effect higher rents will have on their tenants. They say the high cost of housing land in areas in London makes it difficult to compete with returns available from home ownership, which receives a large subsidy in the form of mortgage tax relief. Rents will have to rise

sharply if returns are to be sufficently competitive enough to encourage private investors to The Government insists house

ng benefit will be available to help those who cannot afford higher rents, but the associa tions say this will not help peo-ple whose incomes are just above the threshold for qualifying for housing benefit or who are eligible for only a small entitlement.

These people could find them selves paying up to 40 per cent of their net income on increased rents, according to the associa-

They say they welcome any initiative that might increase their funds but not at the expense of pricing their tradi-tional tenants, the disadvantaged and the poor, out of the market. For this reason they are not opposing the Bill outright but will try to amend it during the committee stage in the Commons.

They would like, for example, to see some kind of safety net introduced to prevent tenants from paying too high a propor-tion of their income on rents. The associations are also concerned at the possibility of disreputable Rachman-style private landlords taking advantage of the proposed leg-

The changes are unlikely to promote an immediate increase in new housing development. Indeed building of new houses by the public sector is likely to

On the other hand, renovation and improvement work may increase if bona fide private landlords are encouraged to improve older properties and return to the rented market.

**Andrew Taylor** 

Last year it widened by a fur-ther \$434m to almost quadruple the figure six years ago.

What is causing these macro-movements is simple. A

to be coping - just.

autumn," says one manufac-turer. "Officially there was no shortage - but delivery dates

the past two years and a fur-ther £50m investment is

ter of 1987.

"We are literally delivering every brick we can make. We worked three days over Christhas evaporated now.

for standard bricks is a minimum of six weeks. Special facings can take up to 18 weeks. "Most major builders give us delivery schedules. Generally we are meeting them. I am sure the situation is getting better."

Mike Payne, the national purchasing manager for Wimpey Homes, agrees. "If you expect to pick bricks off the shelf it is

A SOLEMN ritual is expected of

every new leader to emerge from the ranks of Britain's

builders. Planners and politi-

never-ending battle.

counter-productive.

despoil it, by planting woods, improving villages, soaking up

surplus farmland, and creating

Whether this will see quick

results is doubtful. The ideal of

inviolate pastures and a cynical mistrust of the profit motive

will be hard nuts to crack. On the other hand, this year

jobs in fully-serviced communi

cians, ancient enemies who cast

THE OFFICIAL figures have yet to be produced but a little extrapolation makes it clear that the UK trade deficit in building materials in 1987 will be about £2bn equivalent to three quarters of the total trade

been around 7 per cent in 1987 - has strained the materials industry to the limits. It seems

were going from weeks to

Take bricks. "People were

months. But the situation has now eased." This might be because manufacturers have invested \$65m in new production lines over

cent to 14 per cent by October. It is just about coping with demand, says Mr David Lepla, national sales manager.

nas to catch up but that lead Mr Lepla says delivery times

really tearing their hair out last

Static exports and soaring imports trebled the gulf to \$1.57m between 1982 and 1986.

strongly recovering home con-struction industry is busily sucking in imports from a slug-gish European market and mopping up the small export capacity of the British produc-

This surge in output - which most forecasters expect to have

First signs of this new capaccame in last month's brick stock figures. After almost two years of decline, they rose by 18 per cent in the fourth quar-

London Brick, which has suffered most complaints, has spent £20m on new lines which will increase capacity by 10 per

cement manufacturers cartel last February. Minimal amounts of Greek and Spanish cement straw which forced the three major makers into abandoning their common pricing agree-

difficult. But with planned

Cement deliveries have not

On major projects discounts are "definitely negotiable" said Mr Payne of Wimpey. The real battleground, he said, is with the readymix concrete suppli-ers. They take 44 per cent of cement output and are getting undisclosed discounts, calculated by some brokers to be as much as 10 per cent. Because of "There has been little change much as 10 per cent. Because of in the price of cement since the this, said Mr Payne, "we are

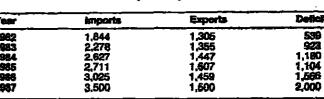
resisting any talk of price

Aggregates

Mr Battersby said the current boom is causing prices of all-building materials to rise. "What we are seeing now is a closed market situation with discounts previously given dis-appearing. In addition, said Mr Battersby, "prices have increased on a number of materials in recent weeks which do not reflect any cost of living or any other index."

The burgeoning plasterboard market has at long last attracted a flock of rivals keen to carve a slice out of BPB's to carve a slice out of BPB's highly efficient monopoly. Redland covets 30 per cent of the 150m sq metre business. A plant in Bristol is planned to start production in 1990. Knauf, the German maker has less advanced plans for a factory in Kent and Eternit TAC from Belglum has begun an operation France, scoring 71. Then with which it hopes will eventually imports almost twice the vol-

Exports/imports of building materials



bring 10m sq metres a year into

To complicate matters, the de-sulphurisation programme just announced for Drax power station will spill out Lim tonnes a year of Gypsum, the raw material for plasterboard by 1993.

The outlook for the market when all these plans take effect is uncertain, said stockbrokers SBCI Savory Milln. They calcu-late the price of plasterboard in the UK is around 16 per cent cheaper in France and Germany. A December circular implies that the incomers will have a hard time undercutting BPB. The scope for reductions

While BPB might not be that worried by an invasion of its territory the Government is now seriously concerned at the growing level of imports. Just before Christmas construction minister David Trippier told the industry that "this deficit must be tackled. UK material producers must offer UK specifiers more competitive products."

A French government study published earlier this month shows Britain with a 6 per cent share of inter-Community exports of building materials in 1986; but taking 14.3 per cent of exports. The report from the French Ministry of Trade also produced a country-by-country ratio of EC exports to EC imports. Germany came top at 159. In other words, exports are 59 per cent higher than imports. Italy scored 146 and Belgium/Luxembourg 138. Close to the bottom came France, scoring 71. Then with

Source: COE . ume of exports in 1986 came the UK acoring 54.

Nigel Chaldecott, director-general of the National Council of Building Material Producers thinks closing the trade gap won't be that simple. First the construction industry is booming in Britain compared to the

rest of Europe, So they are all saying 'let's get in there'." Second, said Chaldecott, 'a lot of manufacturers have been bitten by putting in extra capacity only to meet a down-turn. Most now say let's plan production to meet a specific level of demand, don't let's be too greedy and go for the lot."

Mr Battersby agrees: "one of the major things which affects the market delivery situation is the fact that most manufactur-ers have geared down to what they consider to be a general future market requirement and they have little surplus capacity to meet the upturn.

But the trade gap grows. Aluminium imports used in cladding and curtain walling products have jumped from \$1280 in 1985 to around \$1750 last. year. The value of wall the imported has risen 50 per cent in two years. Imported ironmongery has been coming across the Channel even faster. In 1985 it was worth £108m, today £170m.

Exports of structural steel have fallen by 37 per cent to £184m in 1987, while imports have risen by around 25 per cent. Now British fabricators working flat out are being threatened by European, Cam-dian and perhaps even Korean companies on large projects in London.

Peter Bill

# Unending battle for land

a ring of steel around the pack's territory, must be casti-gated for their ignorance and bloody mindedness. Rural conservationists are condemned for depriving the public of homes and comfortable shopping facil-

This year the script has changed. Mr Allan Cherry was not short of demands for more land when he took his place as president of the House Builders Federation. But he is a shrewd satisfy soaring demand for new homes in Berkshire. campaigner, experienced enough to see that screaming For years, appeals for more land have been rebuffed with arguments that inner city sites are plentiful and most expectation.

Planners wanted to cut building from 4,900 homes a year to 1,600 in the early 1990s. Building from 4,900 homes a year to 1,600 in the early 1990s. Building from 4,900 homes a year to 1,600 in the early 1990s. Building from 4,900 homes a year to 1,600 in the early 1990s. Building from 4,900 homes a year to 1,600 in the early 1990s. Building from 4,900 homes a year to 1,600 in the early 1990s. matches alone will not win this Ministers are already coming are plentiful and most structure

adequate supply to meet five inspectors that the rate should reduce but only to 3,000 a year. round to the idea that extra land should be released but are worried by the political conse-quences of bold action. A full argument remains strong in the Government's eyes, but as frontal attack there would be structure plans are updated to cover the 1990s, Ministers are Instead, Mr Cherry urges builders to go out into the beginning to look more generworld and persuade councils and conservationists that they In the South East, that may can improve land rather than have something to do with the

decade.

A couple of years ago Mr
Nicholas Ridley, the Environment Secretary, was inclined to advise people to move north for guidance notes from the Government Says a few new setmay prove a milestone in the shortages were pricing people tlements may be needed to attitude of the Government, out of housing. Today he seems ensure that economic growth is

fact that Census figures soon to be published will show that the

Green Belts, particularly for the swarm of big shopping centres crowding the drawing create a new town on Green boards. But they seem to be Belt land at Tillingham Hall in bending to the argument that Essex. But he went some way more space may be needed to last month to meet demand for

> Mr Ridley annoyed both sides get more than local authorities propose in other structure plan reviews still to be decided. It may not be as much as the industry would like: the Rouse Builders Federation believes

badly even with the land for an extra 7,000 homes.
But the threat of overall cuts planners have underestimated But the threat of overall cuts demand by something like of about 10 per cent in building 50,000 houses in the next rates looks less likely. New

that Berkshire will overheat

which holds the whip hand on the release of land.

Ministers remain immovable on the absolute protection of Green Belts, particularly for the surement of his chemical and the surement of his chemica

But it is increasingly plain

that undesignated green land is not inviolate. Mr Cherry's own company, Countryside Proper-ties, has just won permission along with Croudace and Wates for a 3,500-home scheme at Harlow and hopes to repeat the success with another 1,500 at Braintree, both in Essex. Stansted Airport expansion

provides powerful backing for the need for homes. Other schemes proliferating in Hampshire and around Oxford and Cambridge will have to meet the same criteria to get past the The Achilles Heel of the Green Belt is land made derelict

by mineral workings or redun-dant statutory undertakings such as water or sewage works, according to Mr Tony Harris of surveyors Rogers Chapman. Local authorities are adopting a more positive trading off reno-vation of these sites for permission to create houses or shopping. But this makes it even ess likely that the Government will release unspoiled land, he

Completion of the M25 has created a spate of proposals for out of town centres which need the wide open space of green land. The Government made it crystal clear in its h latest planning guidance notes that "pro-posals for such developments which may be over 100,000 sq ft and up to 1m sq ft or more have no place in the Green

But it leaves the door open for reclamation of large derelict areas. Planning specialists Mon-tagu Evana also note that for the first time the Government says that some surplus industrial land may be turned over to retail development.

In this sort of light, the Blue Circle/Shearwater scheme for a big shopping and leisure centre on derelict quarries and cement works near Dartford would seem to have a reasonable chance of success, particularly as the local authorities back the suggestion to pull it out of the Green Belt.

shared with retail schemes north of the Thames at Thurrock, of being on the eastern side of London, where the Government is keen to see development to balance the pressure out in the west.

However, the Prudential's proposed Im sq ft at Hewitts Farm, Orpington, may have too steep a hill to climb to over-come Green Belt and local authority objections.

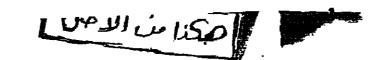
Meanwhile, ARC is trying to prove a similar case to Blue Circle by proposing retail and lessure uses for its worked out gravel pits west of London. But it has found that it is not just Green Belts that can pose a problem. Possible conseation dil. problem. Possible congestion on the overloaded M25 has brought objections from the Department of Transport to its Wraysbury proposals.

So the next year or two should see a mixed bag of victories and defeats for both house ing and commercial developers as they fight for more land in the overcrowded but under supplied South East. Conservation ists remain unrelenting in their battle to keep out most building work and planners refuse to countenance spillover from big towns

The main hope for builders must lie in Mr Cherry's policies of persuasion and the fact that the Government is far enough away from the next election to withstand the brickings of its rural supporters.

But in the context of a strong commitment to inner cities and It also has the advantage thared with retail schemes an inflexible stance on Green an inflexible stance on Green Belts, it is difficult to believe that housebuilding leaders who follows the control of follow Mr Cherry will find much reason to alter the ceremony of ritual complaints.

David Lauriti



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Britain is likely to be out-manoeuvred as Europe's competition laws are overhauled

The development of a new European wide regulatory structure will be extremely difficult and already the timetable may have slipped. The changes lent German DIN standard. when they are introduced will have profound consequences for the way in which British construction and building material companies operate.
European technical stanhaving to be separately certified to British standards, says

dards, now being compiled. should ensure that Community members will be unable to stop Building Material Producers. the import of building materials from other Community countries, provided the products satisfy the European standard. The regulations should protrade barriers from developing.

vide greater opportunities for exports and make domestic manufacturers compete more end up having to invest in expensive retooling to comply with the new standards.
Sir Colin Corness, chairman
of Redland, one of Britain's
most successful international keenly in their home market. However, a great deal depends on what kind of common rules may be introduced. British manufacturers fear they

national standards as a basis for a new European standard. restrict imports is aluminium

could be disadvantaged if other

countries seek to impose their

New standards could open door to imports

West Germany unless the prodimports." uct has been separately tested oncerned about the status of and certified under the equivathe new standards as they are the new standards. This is despite the fact that British and German standards about their wording. Crucially, they want know whether the are remarkably similar and German aluminimum windows Commission intends the new regulatory regime to be mandacan be sold in Britain without

nity-approved kite mark, or E mark, could be excluded from not prevent manufacturers of non E mark products selling West Germany. their goods in domestic martheir goods in domestic mar-

mean that only products capa-ble of obtaining an E mark could be used in the European Community

British officials would be strongly opposed to a manda-tory system which they say would defeat the purpose of harmonisation, which intended to increase choice and competition.

Officials have also been concerned that British companies windows. Aluminium windows find ourselves severely have not been pressing their tested and approved under Brit-disdvantaged in export markets interests strongly enough.

Manufacturers are just as chairmanship of technical committees which will help prepare

Most of the committees have been established by Comite Europeen de Normalisation (CEN) whose members are tory or permissive, national standards bodies of Permissive would mean that the 17 countries of the Euronational standards bodies of no product carrying a Commu- pean Community and the European Free Trade Area. The Britmark, could be excluded from ish Standards Institute member countries. This would represents Britain and Deutsches Normenauschauss (DIN)

cets. standards for the Commission.
A mandatory regime would Chairmanship of the technical committees allows the home

chance of influencing the outcome in favour of its own mannfacturers

The National Council of Building Material Producers, in a report to members just before Builders and civil engineers Christmas, said Germany so far have been particularly conheld about 50 per cent of the committees compared with Britain's Il per cent. The influence of the German

substantial and possibly detri-mental to British export and home markets," the council

concerned about the shape and

between member states, says sums of money and could lead the British Building Employers to higher tender prices. Confederation and the Federation of Civil Engineering Con-

cerned about a draft directive proposed by the Commission which sets out penalties for public authorities which fail to standards in preparation of the satisfy new rules for offering Eurostandards will therefore be public works contracts to open satisfy new rules for offering

the winner of the contract los-ing the work even though it. The use of select lists, partic-

and with an open door to Britain has not been particu- country to set the agenda for influence of Community propos- would be unfair, could cost the imports."

larly successful in winning the discussion giving it a better als to harmonise competition unfortunate company larged

The federations are also concerned about the wording of proposed directive Com(87) 134 which they believe will force public authorities to abandon select tender lists in favour of completely open tendering.

They say better value for money would be obtained if invitations to tender for public works were issued normally to a select list of proven contrac-The penalties could involve tors, including foreign compa-

Contractors should also be may not have been responsible ularly for major contracts. says the BEC and FCEC. This means that authorities waste

less time examining a long list of tenderers, many of which would have no hope of winning the contract, the builders and civil engineers say.

"Long tender lists lead to deleng which offers to the contract."

delays which affect costs. Ten-dered prices may be generally higher as contractors react to the change in the balance of commercial risks involved in moving from select list to open

tendering.
The BEC and FCEC, backed by other construction industry trade associations on the Continent, believe their lebbying may have been successful in persuading the Commission to

modify these proposals.

But even more controversial plans may be waiting in the wings, with the Commission poised to examine ways of harmonising European standards for labour regulations, safety and contract law.

**Andrew Taylor** 

#### VAT MAY HIT OFFICE DEVELOPMENT

the British National Council of

The introduction of common

European standards should help to prevent these kind of

British manufacturers worry

nonetheless that they still could

building material companies, warned in a speech to the coun-

cil last year: "If we do not now

move to promote the adoption

of British Standards in Europe

we shall be outmanoeuvred by

the French and Germans and

MR Marco Darmon, the French Advocate-General for the European Court of Justice, provided contractors with food for thought just before Christmas when he announced his preliminary opinion on whether Value Added Tax should be paid on new construction work in Britain.

The good news was that Mr Darmon felt VAT should not be charged on private housebuilding. The bad news was that he believed VAT should be charged on industrial and commercial property developments.

Developers have been considering ever since what the implications would be for new investment if the European Court decides to follow the advice of its Advocate-General.

The opinion will be taken into account by the full court when it delivers its final judgment shortly. The court usually follows the Advocate-General's advice, but not always.

Under European Community rules exemption from VAT can only be allowed for clearly-defined social reasons or where the consumer ultimately stands to benefit. Mr Darmon's opinion was that these criteria applied to private house-building but not to commercial develop-

Office development for financial institutions would be most at risk if VAT was put on commercial building. Banks, pension funds and insurance companies are exempt from paying VAT on their goods and services and so would not be eligible to reclaim any VAT charges on commercial developments which they owned or

The effect on industrial development would be likely to be marginal as most industrial users are registered for VAT and therefore would be able to recover VAT levied on new building.

The difficulty the industry faces is not knowing how the measures will be applied and what level of VAT might be levied. But some of the answers may be supplied in the forthcoming Budget.

THE MOST striking aspect of Britain's roads programme is the discrepancy between the self-congratulatory tone of the Government and the everyday xperience of millions of everyday drivers. For example, Mr Paul Chan-

non, the Transport Secretary, said recently that capital spending on national roads next year would be 30 per cent higher than a decade ago, and declared: "We are building a better transport system for Britain.

He added: "The money that we are investing now will bring better communications for people, and for industry and com-merce, whilst safeguarding the environment and keeping

safety paramount."

Mr Channon's comments, which accompanied the Public Spending White Paper, cleverly implied that everyone from road hauliers to environmental-ists was benefiting from a huge

He did not explain why the Government is facing a barrage of criticism from people who think that, far from promising a bright future. Ministers are marching gaily towards disas-

A few examples give the fla-vour of the national view: • The British Road Federation, which represents transport companies, says the Government needs to spend \$4bn to build vital new roads and complete repairs on the existing Mr Peter Witt, BRF director,

says: "Unless we get action, we are going to have severe congestion. The jams we are seeing now on the M1, M6 and M25 will become much more commonplace throughout the trunk road network.

The British Aggregate Construction Materials Industries

Federation says road repair programmes are so far behind that some councils could be faced with no alternative but to dig up existing roads and refer have not yet taken place. replace them.

The Institute of Civil Engi-

ome of Britain's roads are little more than medi-eval cart tracks, and suggests that the only answer is a major increase in spending or the into private ownership.

The Audit Commission says that, in many parts of the country, taxpayers' and ratepayers'

money is being wasted because of arguments between county and district councils over responsibility for spending.

The RAC says the Government has shown "an inexcusable lack of foresight" in planning the national road network, and suggests that Ministers are

obsessed with short-term savings at the expense of long-term problems. The latest National Road Maintenance Condition Survey, carried out by the Government itself, shows that the condition of trunk roads worsened by 23 per cent between 1977 and 1985, and local urban roads by

and suggests that Ministers are

There are several explanations for the difference between the apparent perceptions of Ministers and other road users. First, the Government tends to refer only to the national roads network (motorways and trunk roads), which accounts for only 4 per cent of the route network but carries 30 per cent of traffic. This ignores the state of the rest of the network which carries the remaining 70 per cent but comes under the



Gravelly Hill motorway interchange. Birmingham's Spaghetti Junction is at the heart of the trunk road network

Roads programme

# Cash may not be there

direct control of county and district councils. Within the national pro-

ramme, the answers are in the White Paper, which reveals that the bulk of the spending increases to which Ministers

For instance, annual capital spending (covering construction and major maintenance) is planned to rise by 35 per cent in cash terms between 1982-83 and 1988-89. But the increase in spending up to the end of last year, 1986-87, was only 13 per cent - not enough to cover inflation.

Over the next two years, pending is forecast at just over £2bn, an increase of about 10 per cent in cash terms on the previous two years, but again not much greater than forecast inflation.

Over the longer term, about 370 major road schemes are in the Transport Department pro-gramme, at a forecast cost of some \$5bn. But finance for most of these of is not guaran-teed, and on past experience many will remain at the plan-ning stage for years.

has been made, they say.

The picture is perhaps even worse for the majority of roads which are maintained by the local authorities though largely financed by central govern-

uction in the progress whic

The amount the authorities spend on roads is controlled by the Government as part of its overall limit on public spend-

Nevertheless, the Transport Department has authorised a 27 per cent increase in current spending (on maintenance) between 1982-83 and 1986-87, with a further 18 per cent increase by the end of 1989. In theory, this should have led to a reduction in the backlog of maintenance work, and an improvement in the condimg stage for years.

tion of roads. In fact, apart from a minor improvement in

groups say the detailed plans the state of rural roads, the produced by the Transport opposite has happened.
Department are insufficient to This is because althou This is because although the make up for big cuts in the Government "provides" for amount spent in real terms in higher spending by local authorities, it does not actually

Far from producing an expansion, or speeding up, of the roads programme, the next few likely to being a likely to be likely years are likely to bring a advantage of the Gover apparent largesse, local authorities would have to reduce

spending on other services, which are also under pressure. ing rises above the overall limit lose rate support grant at the available for 1988-89," he says, rate of up to \$1.50 for every

extra pound spent.

budgeting to spend 13 per cent below the Government's provision" of £1.1bn for the current year, and 12 per cent below the level of £1.26ba set for next

Nonetheless, Mr Channon puts the blame for falling authorities: "We know that local roads are deteriorating; I am therefore very disappointed that authorities are neglecting if total local authority spend- this essential public asset. rises above the overall limit hope, they will spend the by the Government, councils \$1.26bn which I have made

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Plenning Reports

ا مکنا س الاس

UK construction companies have no reason to fear an invasion, say their counterparts in Japan. Ian Rodger reports from Tokyo

# **Buoyant domestic market** slows overseas drive

THE MUCH worried-about poned for a few years, according to Japanese contractors hich have been investing in

Most of these companies now have their hands full with a suddenly buoyant domestic market and so they seem less interested in overseas expan-sion than they were a year ago. Kumagai Gumi is the exception, still committed to major growth in the UK, but eve appears to have pulled in its horns a bit. A year ago, one of Kumagai's London-based execukunagar's London-based executives was quoted as saying the
company was considering
acquiring a large local construction company. Now, Mr Fred
Kakurai, the group's director
for US and European
operations, makes clear that
the acquisition option has been
shelved.

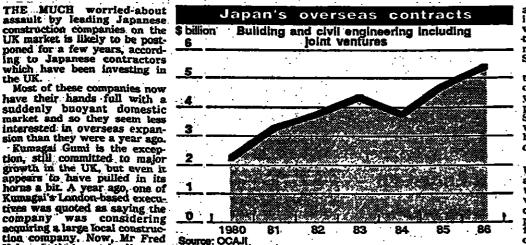
In the US, it is common for companies to merge. In the UK and Europe, we have no inten-tion to make acquisitions," Mr Kakurai said at Kumagai's

However, Mr Kakurai also emphasises that Kumagai will continue to build its UK business, with the emphasis in the short and medium-term on commercial developments in Lon-

Ohbayashi Gumi, the com-pany that bought the Financial Times building in the City of London last year for \$143m, also remains enthusiastic about the UK market. But it says it is carefully assessing various pro-posals that have been made to it in the wake of the publicity

surrounding the FT deal.

As for the other big Japanese companies. Shimizu, which is now building a five-storey building in Old Bond Street, says it has no further ambitions in the UK market for the



Nomura Securities estimates

that total overseas orders for

the Japanese construction industry will reach only

Y660bn this year, down 30 per

Also, analysts point out that

Japanese companies have been

low cost (for Japanese) of buy-

cent from three years ago.

(Securities) in Tokyo.

as developer and contractor.

to February, 1994. These include the new City headquar-

which is remodelling the inside leaving little time for overseas of an office building, and Takenaka, which is supervising small projects, also say they have no further plans.

The main reason for this retrenchment is the companies' Tokyo head office.

The the UK, the existing companies are very well established and we would prefer to have good associations with Government's attempts to balexcitement about their domestic Government's attempts to balance its budget.

However, last year the fam-ine ended. Under intense pressure from the US and other governments to reflate its economy, the Japanese Government boosted public works spending by 15 per cent to Y7,217bn (£31.1bn) in the fiscal year that ends on March 31.

It plans to maintain that level of spending this year as well, and most analysts expect that it will continue to do so for several years to help keep domestic demand buoyant while fundamental structural changes in the economy take

That means that many huge civil engineering and building six major projects on its books projects are in prospect or under way as Japan seeks to bring its woefully inadequate Similarly, Kajima, which has infrastructure up to a devel-urchased a five-storey block oped country standard. Most purchased a five-storey block oped country standard. Most ters of Nomura Securities in St in London and is turning it into an intelligent building, says it has no further plans. Taisei,

in Folkestone, a joint venture with Glengate Properties and the redevelopment of the Sun newspaper building in Fleet

Last year, Kumagai went fur-ther afield, launching a redevel-opment project in Glasgow worth more than £100m in partnership with Bellhouse Securities. The Japanese firm will build office buildings, on a 484,000 sq ft site.

Kumagai's expansion in the UK follows on an equally aggressive growth in the UK where it now has projects worth about \$1.2bn development, some with local partners. Mr Kakurai said the focus on the UK rather than olsewhere in Europe was made partly because of the company's long experience working with UK architects and other consultants on projects in Hong Kong where it is a leading

Also, it believes that London as one of the world's three leading financial centres, will be a particularly stable and low-risk market. Initially, it me active in developments Japanese companies have been in London with partners, but focusing their overseas activity more on the US because of Mr Kakurai says the company how cost (for Japanese) of buyenough to work on its own.

"We prefer to act alone as According to the Japanese Overseas Construction Association, 41:3 per cent of the developer and contractor, but there may be circumstances when a joint venture is appro-Y861.9bn in overseas orders taken in 1986 by Japanese com-panies were in the US compriate, so we are not closing the door," he says.

Kumagai officials have been a pared with only 6.5 per cent in Europe. "The US is the prime candidate for growth," says Peter Sanborn, a construction bit upset by the recent reportby the Centre for Strategic Studies in Construction on the likely impact of the Japanese analyst at Jardine Fleming struction industry on the UK In this context, Kumagai market. Gumi stands out from the other Mr K

Mr Kakurai acknowledges that the Japanese companies major Japanese contractors, with a solid and growing com-mitment to the UK market, both now seek business aggressively by offering complete packages development, engineering and financing. But he says other companies are doing the At the moment, the group has as prime contractor, with con-struction schedules extending

"In the past, the general contractor just waited for clients to come. Now we should associate ourselves with the client, bringing technology and financ-ing," he says. "By advancing projects, we promote employ-

#### Professional roles

# Challenging decade ahead

FOR THE building industry professions, the next ten years promises to be one of the most challenging periods - and per-haps one of the most traumatic they have ever faced.

Architects, surveyors and consulting engineers are under increasing pressure to adopt a more commercial and flexible attitude to their role in the con-struction process. If they do not, many observers believe, a growing number of firms will go out of business altogether or be swallowed up by more pro-

gressive rivals.

Behind this threatened upheaval are the accelerating changes in working practices in the industry. On major projects in particular, contractors are becoming involved at all stages of the construction process And this mean the professions can no longer take their tradi-tional role for granted.

The construction industry and especially the 29bn a year private commercial and indus-trial building sector - is booming, and nowhere more than in London and the South East. It and often confusing, but is the high demands of the mar-broadly they are as follows: is the high demands of the mar-ket in that region - stimulated have been the catalyst for

Buildings, and especially the services they include, are ble, as the name suggests, for becoming more complex. Computerisation, more sophisti-cated air conditioning systems Project management: Spe-

Increasingly, buildings are being designed around the ser-vices they will have to provide and this is requiring greater ment: The construction man-

land, particularly in and out by sub-contractors who will around London, and the pres- have a contract directly with sure for shorter construction the client.
times, and it is easy to see why London Bridge City, where times, and it is easy to see why there is pressure for change.

the US for ideas.
Traditionally in the UK, the sulting engineer. When the designs are well was the management contractor fessions' core activities will

advanced, a contractor will be for the Lloyd's building chosen by the client, usually Today there are more either by negotiating a contract

is lost and the contractor has no input into the discussions of

with a single company or put- have ever been before. ting the work out to tender.

And importantly, the changes contractors."

The major problem with this increase the possibility of "fast But that is not something that method is that construction tracking" in other words allow-depresses him. "I believe that

starts only after the design ing the contractor to start work the char work has been completed. Time before the final designs are indeed."

engineers are under increasing pressure to adopt a more flexible and commercial

approach as contractors become involved much earlier in the construction process

tion management and management contracting. The definitions are complex

by Big Bang and the London

Design and build: In the docklands' developments - that UK, the commonest of the "non-traditional" forms of con-tract. The contractor is taken on by the client to be responsi-

and the need to keep abreast of cialists who will manage the the lastest developments in complete project on behalf of office technology - for example the client. Lehrer McGovern in fibre optics - are three rea- Bovis is project manager of phase one of the huge Canary Wharf project in London's

alongside the other professions Add to this the high price of Construction itself is carried

Laing was the construction In response, clients and con-manager, was the project that tractors have been looking to gave this form of contract a boost in the UK.

Traditionally in the UK, the Management contracting: client appoints the designer, The contractor is responsible usually an architect, who for managing the construction becomes leader of the team of process. Construction is again advisers on the project. The carried out by subcontractors other advisers will usually be but this time they will be contracted not to the client but the management contractor. Bovis

most likely person to be the cli-ent's lead adviser. That position might still be taken by the architect, but it might just as easily go to the quantity surveyor, the consulting engineer

or the contractor. "The developments mean that each of the professions must be able to take the lead or a secondary role," says Andrew Jones, a partner with quantity surveyors Tillyard.

The professions will have to become more flexible and commercial to survive, be able to lead a project or fit in with other professionals as the client ments require. There will be certain types

of practices that will not survive," he concludes. "But what- danger of over-estimating the ever happens, the quantity surcoordination between contractor, client, design team and the tion consultant working essential. Cost control advice essential. Cost control advice suggested that traditional con-will have to be maintained tracts are still the most poputhrough to the building's Mr Jones' views are echoed

by the Royal Institution of Chartered Surveyors which believes that the professions' core activities will stay the same. It is their management role that will alter. But even that is doubted by

Michael Coates, a partner of quantity surveyor Gardiner and Theobald. "The changes are blurring the edges of all the professions: we are all straying into each other's province. "I don't even know if the pro

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for the Lloyd's building. stay the same. For example, we Today there are more options are doing our own construction for UK developers than there management and in some cases are in direct competition with

the changes are very exciting

complete. Even the Royal Institute of The result is that the contractory British Architects is not down-Even the Royal Institute of

no input into the discussions of the result is that the contraction the design team - input that can tor is becoming involved in hearted, publicly at least, argument in the result is that the contract in hearted, publicly at least, argument in the role of the architect has never been closely defined.

American-style methods - adviser to the client rather than design and build contracts, project management, constructions. The architect is no longer the architects, surveyors, and consulting the result is that the contraction involved in hearted, publicly at least, argument in the role of the architects is not down-tors in the result is not down-to-in the result is that the contraction involved in hearted, publicly at least, argument in given in the role of the architect has never been closely defined.

Many architects themselves are taking a very positive attitude. Jeremy Hogben, a director of Whinney Mckay-Lewis, believes that involving contractors are relief in developments is tors earlier in developments is healthy. "We have got to be flexible and go where the cli-ent's best interests are," he says. "The architect will still be designing buildings in future but will have to be prepared to take a lead or secondary role." But not all professional firms are as positive. Derek Hammond is chairman of Project Management International, the

largest independent firm of project managers in the UK. In his experience, the professions have reacted very slowly to the change in bullding man-agement procedures, although this situation is set to alter rapidly now that professional firms are becoming incorporated and therefore have the resources to make acquisitions. As an example, he points to Whinney Mckay-Lewis - one of the first architectural practices to join the unlisted securities or the contractual arrange-ments require.

market - which bought project managers Johnson Jackson and

However, it seems there is a extent of the changes. A recent private survey of clients lar, followed by design and build and negotiated contracts. struction management.

Do these new methods produce good buildings? Not every-body thinks so. Writing in the annual report of the Royal Fine Arts Commission last October, Lord St John of Fawsley - the former Norman St John Stevas said the commission is some times "dismayed" at the lack of the architects and developers with whom they have to deal.

**Graham Anderson** 

# Fast track inner city refurbishment.

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If the targets are met, in little more than five years' time trains will run between London and Paris in just over three hours. Eurotunnel will offer drivers a train shuttle service taking 35 minutes between Cheriton, near Folkestone, and the outskirts of Calais. Contractor Transmanche Link

and promoter Eurotunnel - the former is building it, the latter will own it for the 55-year concession period - have had scorn poured on the project from many quarters since the go ahead was formally given in March 1986. They have had to endure the

doubts of some politicians and many financiers, the criticisms Of environmentalists and often the xenophobia of some of their

compatriots.

Today the atmosphere of relief in TML's offices is clear. The debating is over; all that the five British and five French construction companies that make up the TML joint venture now have to do is build it.

And all Eurotunnel has to do, in theory at least, is keep a watchful eye on the budgets while sitting back and waiting to be presented with a fully operational cross-channel rail link by May 1993.
In Britain, TML is having trouble shaking the public image - acquired with some jus-

tification by the construction industry in the 1970s - that no major project is ever built to time and budget.

tial problems as early as possi-ble - and hopefully lessen the The industry's record has improved since then but chances of stopping tunnelling already TML has been criticised once we are at top speed.

England look to be particularly

Order patterns also point to a

strong, the brokers say.



The Tunnel is at last making progress, reports Graham Anderson

# Digging under the Channel

what they are going to do so that, for example, the spoil that, goes where it is meant to when At it is meant to, and the tunnel linings are handled efficiently

"At the moment we are carrying out final detailed tests on the TBM in particular on the efficiency of the cutting head and effectively.

"Investment in this now will pay dividends in the long run," he adds but stoutly denies that the project is already behind our working practices so that we can sort out as many poten-The first important target is

that "by November, we must little tradition of heavy indus-have driven 5km of the service try and where the construction

"Everyone must know exactly tunnel towards France." And, industry is already booming he says, TML is on target for and showing some signs of peare Cliff on the Kent coast overheating.

At present, it seems the con-tractor's greatest problems will not be the tunnelling itself -TML says the project is technically straightforward, just big-ger than usual - but shortages of good fully-trained employ-

It is a huge project and it is in a part of the country which has little tradition of heavy indus-

Construction, according to TML, was well under way on both sides of the Channel by the end of last year despite the tunnel boring machines ordered problems faced by Eurotunnel by the British partners is over Equity Three in November the \$770m final, and eventually successful, share issue now fully buried and moving. without which the banks would

have withheld their £1bn loan or the project.

The main British construction towards France. By the end of

focussed at Sangatte, outside Calais.
In Kent, the first of the six

although not yet at top speed. The cutting head is about 500

March, it should be one kilometre out. The next machine is due to be delivered to the site for assembly in early March.

Three tunnels - each 50km long - will be built, two running tunnels for the trains and between them a small service

and emergency exit tunnel. From a construction chamber below Shakespeare Cliff the tunnellers will work in two directions, out to sea and inland back towards the site of the planned terminal at Cheriton near Folkestone.

At Sangatte, a massive access shaft has been dug straight down into the ground. From the foot of this the French tunnellers, like their British counterparts, will head in two directions: out to sea and inland towards the terminal at Fre-

Work at Sangatte started earlier than at Shakespeare Cliff, both because the French Parliamentary processes are quicker

than Britain's and because the ground on the French coast is the most difficult that the tun-

nellers are likely to face.

Most of the tunnelling, the contractors believe, will be through chalk marl, ideal material. But just off the French coast the tunnel will have to leave the chalk marl and pass through an area of fractured, water-bearing rock that will make tunnelling much more dif-

Preparatory work here is well under way and the Sangatte site took delivery of the first of its five tunnel boring machines in the last week of January, an event marked both by a visit from President Mitterand and a demonstration by the trade union CGT complaining that the tunnel borer had been imported from the US rather than manufactured in France.

The French and British tunnellers should meet under the Channel for the first time late in 1990, when the smaller service turnel drives are com-

The running tunnels that will carry the trains are scheduled to be finished in summer 1991. It will take until Christmas 1992 to install the railway system, leaving four months for

At peak TML will employ 4,000 hourly-paid workers on the British side alone and to keep that level up for the duration of construction. To date, the contractor

directly employs just under 800 workers and is taking on about

The situation with salaried staff is roughly the same. TML currently employs just under 700 and is holding 50 interFar left: The two main to and smaller service tunuel, at centre, take shape at Sangatte; and (left) tunnel boring machine at the face. of the service tunnel.

views a week out of which a takes on about 15. Problems are already begin

ning to emerge. TML has been forced to recruit oversess in Calro, where British tunnelless are working on the Cairo waste. water scheme, Singapore, Bong Kong and more recently Rel. gium and Holland. Says David Staines: "Short,

ages are starting to hit all the major projects. The employ-ment market is so buoyant at the moment that we are have to shop around and potentia employees can pick and choise their jobs. "What is having the greatest

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effect is the massive increase in refurbishment work. This is often highly skilled and is some ing up many of the best per

He adds that apart from looking overseas. TML is being forced to train people who have either not worked directly for the construction industry before or whose skills are not up to scratch.
Whatever problems may its

Whatever problems may its ahead; the project has already benefitted both British and French suppliers. TML that already placed £135m worth at orders in France and a further £175m in the UK, the bigger going to UK company Rom-River for £26m of reinforcement at all the property of the project has a projec

More than \$100m of the orders have gone to companies; north of London with Scotland taking \$35m, the West Mid-lands \$26m, the East Midlands, \$15m and the North East £12m The greatest share of the Scottish orders has been won by James Howden of Glasgow, which is to build four of the six tunnel borers - the two service tunnel machines and the two landward running tunnel machines at a cost of £2lm. The remaining two timnelling

machines for the seaward run-ning tunnels are being built by a joint venture of Markham from Chesterfield and Robbins from the US.

In all, more than 5,000 orders have been placed this side of the Channel for everything from aggregate, cement, tractors and rack and pin locomotives to temporary accommoda-

tives to temporary accommoda-tion, fencing and transformers. After 150 years of drams and plans which did not come to fruition, Eurotumel and Transmanche Link are optimis-tic that they will succeed in completing the tunnel and in writing themselves into the ris-tory books. But for the boring machines there is still a long









vices director.

Staines, TML's management ser-

and the steering.
"We are also going over all

the River Thames at Dartford; completion by Roschaugh Stan-hope of the Broadgate offices further increase in industrial construction this year, reflecting the improved profitability of companies during development next to Liverpool Street Station in London. To these must be added other 1987. However, most forecasters expect growth in construccentral London office schemes still in the pipeline, the pro-posed construction of new railtion of factories and ware-houses to slow in 1989. ways and roads to link with The South East is likely to remain buoyant with a number Stansted Airport and the Channel Tunnel, and the continuing of very large commercial devel-opments and infrastructure redevelopment of London's

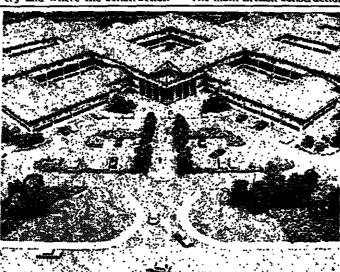
struction of a new bridge over

projects due to be completed over the the next few years.

Developments include the Private housing output is also £4.7bn Channel Tunnel project: year although starts made on will fare the massive Canary Wharf new homes are not expected to office development by Olympia be quite as high as last year this year. new homes are not expected to start to go into reverse later

when private housebuilders began work on 195,000 new homes - the highest number for 15 years.
Issues likely to occupy the

minds of housebuilders are: the growing shortage of housing land in rural and semi-suburban areas, in places of high demand like the the South East, and the inter-related problem of house prices outstripping wage increases, making it difficult even for those in work to afford to buy their own home. The general feeling of construction analysts is that condi-tions for the industry are likely to get better before they get worse. What nobody is sure of expected to remain high this is how investment and output will fare should the economy



Model of Gateway Foodmarkets' new management centre, under construction at Bristol

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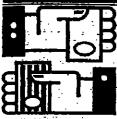
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#### SECTIONIV

# **FINANCIAL TIMES**



Dealers reported an extraordinarily active end to a year in which the Euro CP market, strengthened rather

than weakened by the equities crash. doubled in size. Stephen Fidler

foresees further growth in short-term markets, with new opportunities available to borrowers and lenders.

# Lifted by the crash

OCTOBER'S WORLDWIDE collapse of share prices has not brought bad news for every sector of the international financial marketplace. As investors sought the relative safety of the short-term markets, they provided an end-year sour for the Eurocommercial style credit ratings in the minds of investors in ECP. Yet it has been discovered to the market who were previously placing money in shares and bonds. The most extraordinary element of the last year has been that the market has roughly spur for the Eurocommercial paper market, which had aiready experienced an extraor-dinary year of growth.

The market in Eurocommer lows. cial paper - short-term securi-ties issued in the Euromarkets is the significantly increased by countries, companies and use of the forward foreign banks - remains far smaller exchange market, which has years. But it has taken great strides over the past year and solves against adverse currency now has the makings of a truly global, multi-currency pool of liquidity for better-quality bor-

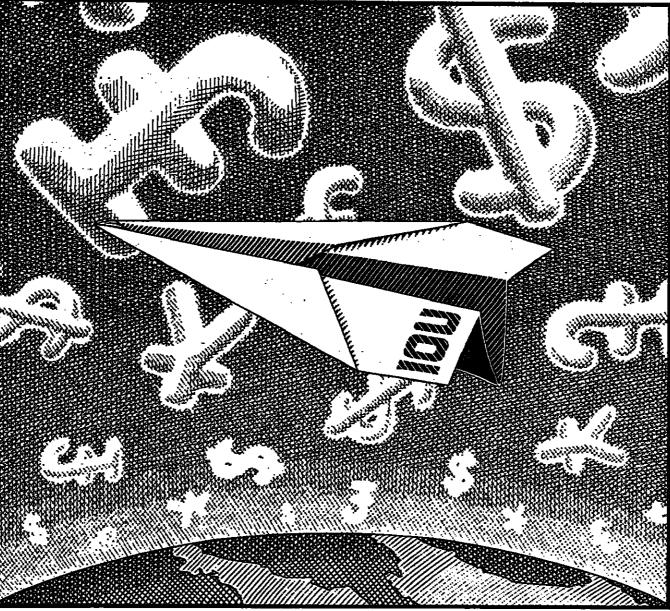
buying corporate paper after credit risks away from their the crash caused a hiccough in domestic markets, without takthe company-dominated US ing on any currency exposure, market in November and in the to pick up extra yield when ECP market. But dealers compared with their domestic reported an extraordinarily markets. (They are also exposactive December, and the ECP ing themselves to extra credit been strengthened rather than carrying out the forward weakened by the October exchange deal, but that so far

cvents. seems not have The crash has brought about tant concern). an increased emphasis on high—Many market participants quality paper, which has magbelieve that outstanding paper nified the importance of US-could rise sharply again this

that the market has roughly doubled in size as the foreign exchange value of the dollar has fallen to progressive new

than the US domestic market allowed those investors and which pre-dated it by many issuers whose natural currency is not dollars to hedge them-

rowers to tap. and other investors in the Concern about the risks of short-term markets to diversify market at least seems to have risks against the bank which is seems not have been an impor-



# Commercial Paper

year, particularly if there is vidence that the dollar is turning round. Then, investors which want unhedged dollars could start to move into the

ECP dealers are united in one thing: few, if any, of them are making any money in the busi-ness. Yet the last 12 months has seen a division in philosophy emerge and deepen among

The strategy of certain promineht houses, such as Citicorp, Shearson Lehman Brothers and Merrill Lynch, suggests that they see the way forward as the pursuit of business in vol-ume. If the market develops as they would wish, it would cer-tainly move the ECP market closer to the US model, where a handful of dealers dominate the

would follow from this view that a big shakeout of dealers is inevitable, because it would be impossible for all 40 or so now registered to develop a significant market share – is probably more are likely to follow the misguided. misguided.

There is an array of other motives for remaining as an ECP dealer, including, for example, the importance to banks of relationships with corporate customers and the possi-bility of developing other, though, few would have placed potentially more profitable, Salomon Brothers at the top of products, such as asset-backed mmercial paper.

that they hope to use it to dem-onstrate their abilities to push into the business in the United The abrupt manner in which States, where they are moving the withdrawal was accoming on the cartel of investment plished upset some issuers, not There, the undertaking by deal-

Yet the expectation that banks which have dominated the business there.

> practice of reducing the resources devoted exclusively to ECP by merging ECP with other areas of their money mar-

kets.

If asked to devise a list of it. Its decision in October to withdraw from commercial For US banks too, there is a paper and municipal bond strategic importance in ECP, in activities shocked many, but that they hope to use it to dem-did provide a spur for others to

fight over the spoils.
The abrupt manner in which

happy either to hear stories from other dealers of their paper being deposited in the

secondary market. Indeed, as this suggests, all in the ECP garden is not rosy. An argument, for example, continues about the role of the sec-ondary market in Eurocommercial paper, despite the claim by some dealers that it is a dead

Nobody these days disagrees that the prime role of an ECP dealer is to place paper with investors who will hold it to maturity. The question arises about what constitutes a guarantee of saleability if that investor changes his mind and wants to sell?

Many dealers point to the US market, where there is no sec-

#### CONTENTS

US commercial paper Euro CP: an overview Euro CP: the investors; the

issuers; the dealers Euro CP; monitoring regulation
The Euronote market Medium-term notes

Sterling CP Clearing systems

The domestic markets: Japan, Canada, Australia, France, West

☐ Illustration: Robin Macfarlan

been somewhat hollow. On related very closely to interest occasions, dealers are said to rate movements. When interest have refused to bid, and others rates go up, secondary market have quoted unrealistic prices. If that is so, then an active secondary market may be useful to market revives again.

ereign ECP as a substitute for yields prevailing - conse-tus Treasury bills, but not sig-nificant players in the US mar-ket - to trust in market liquid-appears that not everything

Moreover, the importance of bank-dominated Euronote mar-ket, itself developed as a substi-tute for the syndicated loans, it

The market has other probis much more common to see rollovers of funds in three or six month maturities While Motors Acceptance Corpora-maturities in the US market tion, the captive finance com-average a mere 20 days, that pany of the US automobile figure is more likely to be 80 days in the ECP market.

It is true that many issuers hate the secondary market, because it can foul up their bor-rowing programmes; and there interest two or three months. If investors are being offered outstandings in Europe have paper in the primary market at a yield up to 10 basis points a peak in the late summer of lower than in the secondary market, why buy in the primarket. market, why buy in the pri-mary market?

This was supposed to happen in the bad old days of tender panel facilities, but is supposed not to under the more intimate conditions of an ECP programmes, where there are far fewer dealers. The frustration of issuers when it does is understandable, yet the secondary market is only the messen-ger, not the root of the problem.

Most dealers will say that, of all the paper they place, only 5 per cent comes back into the secondary market as a general rule. Yet, this is not what figures for secondary market turn-over produced by the clearing those available on US Treasury houses suggest.
On examination of these fig-

ures in its recent comparison between the US and ECP markets, the Federal Reserve Bank of New York concluded: "Secondary market activity suggests that the average holding

ers to buy back paper is said to period of ECP is roughly half be the guarantee of liquidity. Its maturity.

In Europe, it has been A further examination of the suggested that this guarantee to data shows that, in fact, secits maturity." buy back paper has sometimes ondary market turnover is

keep dealers honest, and may be barned to when your own dealer suddenly pulls out of the market.

Since the crash, some investors may well have restructured their portfolios to bias them to higher quality credits — industries again. It is also important for inves- indeed, a number of fund mantors such as central banks - agers did become buyers of sovactive buyers of top-rated soverign ECP despite the low dealers say about ECP being a placement market should be liquidity is heightened in taken at face value, and it Europe by the longer maturities of the paper. Partly because the ECP market developed from the in an environment of falling

> lems, as epitomised in the criti-cal attitude to it by General manufacturer that is the world's largest issuer of com-

mercial paper.

Like a number of other US issuers, GMAC will not issue ECP in Europe unless it is at is evidence this problem has get rates competitive with the US worse, rather than better, in market. Because ECP has been fallen to just over \$200m from a peak in the late summer of 1986 of over \$1bn. The yield gap has generally been most marked in shorter maturities, and less propagation to the longer and less prevalent in the longer

maturities.

Part of the reason for the persistent differences in yield lies with the continued use in the ECP market of the interbank market as a yardstick. The new yield benchmarks now published by the Bank of England are an attempt to break the link between ECP rates and interbank rates, but it has not been long enough established to have succeeded in so doing.

bills - has been able to free itself from the Libid/Libor benchmarks.
That said, while higher yields

may have discouraged issuers, they have also encouraged

Continued on page 2



# It never sets on Chase ECP investors.

We have over 700 investors around the world who regularly buy Euro-commercial paper and CDs. This valuable list of investors includes sovereign entities, major financial institutions and - of increasing importance corporate cash managers.

Access to this broad investor base, which we gain through our global banking franchise, is one important reason why Chase is such a

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As one of the top five dealers, we are continually monitoring investor demand.

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Manager system, an electronic banking product, employs a desktop computer terminal to reduce the issuer's administrative burden.

It's this breadth of capability and commitment, combining ECP expertise with global banking strength, that makes Chase the first choice for increasing numbers of investors and issuers.



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Hillsdown Holdings ple

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B·A·A THE LAIRD GROUP

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PLEASURAMA PLC Smith/Qine Beckman





IP WILLIAM WILLIAMS FLE.



The Guthrie Corporation PLC Crowthers







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Midland Montagu Commercial Paper A PART OF MEDIANO MUNTACIL THE WYESTMENT BANKING AND SECURITIES ARM OF MIDIAND BANK GROUP 10 Lower Thames Street, London EC3R 6AE.

#### **COMMERCIAL PAPER 2**

US CP: pressure mounts to repeal Glass-Steagall

# A fragile monopoly

ONE MAJOR question continues to hang over the US commercial paper business - whether commercial banks will eventually be allowed to underwrite and deal in the paper in direct competition with securities houses. Debate over the Glass-Steagall Act, which separates the functions and business of banks

and securities houses, has become increasingly wearied. The force of the act has, over the years, been eroded signifi-cantly and increasingly riven

Nevertheless its provisions still protect a monopoly for securities houses in the rapidly expanding commercial paper business, which continues to offer American companies a cheap and quick form of short-term financing.

The spotlight was trained on Glass-Steagall again last autumn. In late November, Senator William Proxmire, chairman of the powerful Senate Banking Committee, and Sena-tor Jake Garn, the senior mem-ber of the committee's Republican minority, introduced a bill to repeal the act.

The move came only a day after a strong call by Mr Alan Greenspan, the new chairman of the Federal Reserve Board, for bank deregulation. It was the first time the Fed had put on record its unambiguous sup-port for total abolition, although it has long displayed itself to be a supporter of repeal,
The Securities Industry Asso

ciation fought a hard legal bat-tle in 1986 to prevent Bankers Trust from underwriting and selling commercial paper, on the grounds that this would be illegal under Glass-Steagall, The case was brought even though the Fed had decided to authorse the bank to enter this mar-

ing in Florida late last year, even the SIA seemed to have given up hope of keeping Glass-Steagall and, instead, urged a step-by-step approach to abolition.

So eroded is Glass-Steagall that, with some support from the Fed, several banks have made attempts to start underwriting commercial paper. In March last year, the Fed actu-ally authorised Chase Manhattan bank to participate in this business but, in August, a mor-atorium was slapped on aspir-ing banks by the Senate Bank-ing Committee, which prevented any extension of

banks' powers for a year while the case for abolition was studied. That moratorium could be The intrusion of commercial banks into this huge business

has for a long time been the major market issue.

Mr Leon Wiatrak, senior vice-president in Bank of Amersecurities division, said commercial banks probably had about \$20bn to \$30bn of the total commercial baber outstanding of around \$350bn. Although a small proportion, it provides evidence of the significant inroads made by banks into the preserve of the securities industry, considering the regulations stacked against

He sees an advantage for ommercial banks in their intimate knowledge of companies borrowing requirements, and reckons that his bank would apply to the Federal Reserve for permission to underwrite and deal in commercial paper once the necessary restrictions

are lifted. Mr Bracebridge Young, vice-president in charge of Goldman Sachs' commercial paper operation, probably the market leader with Merrill Lynch, says: "The commercial banks would be formidable competitors in the market. They are backed by a lot of capital, and they have good disNevertheless he feels confident that Goldman Sachs' experience and the good relations built up over the years with corporations will stand his company in good stead. Business had been booming, he said, and

The amount of commercial paper outstanding stood at \$354bn in November, compared with \$326bn a year earlier. The November 1987 figure was, however, substantially below

there had been no clear impact

from October's collapse in share

So eroded is the act that several banks have made attempts to start underwriting commercial paper

October's record of \$361bn.

Market participants uniformly attributed this fall to usual seasonal patterns, rather than fail-out from the crash. Companies who are active throughout the year, arbitrag-ing in the commercial paper market and therefore building up the asset side of their balance sheets, tend to clean up their accounting towards the end of the year and arbitraging activity winds down.

The share price collapse will probably only have an indirect effect on the market as compa-nies who were hit by losses in other areas of their businesses step up reviews of their stratcgy. That process was, in fact, aircady going on before late

The most dramatic development in the business for some time came when Salomon Brothers, which had been a major player in commercial paper, announced at the begin-ning of October that it was pulling out of the business as part of a wide-ranging strategic view aimed at cutting out rela-tively unprofitable activities. Paine Webber announced Paine Webber announced shortly afterwards that it, too, was pulling out of commercial

trate its efforts on expanding its merchant banking

high margin, corporate finance

The trouble with commercial paper is that it is highly competitive (partly because banks have been building up their activity, if only on an agency basis until Glass-Steagall is totally dismantled), it offers low margins and is resource-intensive. In the aftermath of the crush, it is this kind of activity that houses which face retrenchment, cost cutting and periods of austerity, may forego in favour of more lucra-

The decision by Salomon Brothers has, of course, made the pickings richer for everyone else in the market. Mr Young cited this as a key reason why Goldman Sachs' operation has been doing so well.

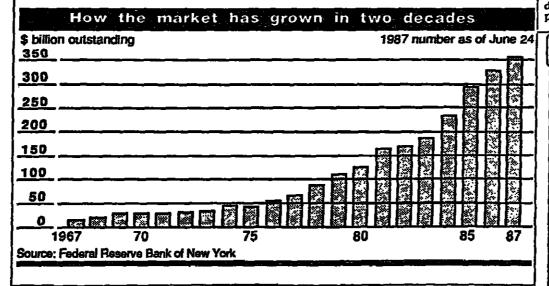
Other, more general positive influences are lower interest rates and the upsurge in merger and acquisition activity since the new year. Companies involved in takeovers tend to borrow short-term funds through commercial paper pro-grammes to tide them over and only when things have settled down, borrow longer-term funds through the bond or equity market.

There have been some excit-ing innovations and refinecial paper. One such is the activity which Goldman Sachs terms "universal commercial paper". This is issued in the US and sold to US investors, but denominated in a foreign currency. Goldman Sachs then synthetically creates an equivalent dollar-denominated instrument through the futures market converting the proceeds of the borrowing back into dollars for the company concerned.

This intricate package means that US companies can borrow in dollars but attract a differ ent stable of investors who want non-dollar debt.

Goldman Sachs arranged its first universal commercial paper programme about 1½ years ago, and has done around 20 similar deals since then with a volume of \$4bn over the last

Comn	nercial p	aper out	standin	g (Sm)
	All isspers	Total	Total non-	Total bank-
	<del></del>	financial	financial	related
JAN. 1985	241,813	171,335	70,478	45,183
FEB.	246,232	174,507	71,725	45,024
MAR,	247,603	176,812	70,791	45,638
APR.	255,913	180,591	75,322	44,585
MAY	259,253	181,645	77,608	45,421
JUNE	259,571	182,815	76,756	45,505
JULY	<b>265,863</b>	187,473	78,390	43,310
AUGL	271,857	194,407	77,450	45,062
SEPT.	278,386	200,987	77,399	45,557
OCT.	283,464	199,531	83,933	44,647
NOY.	292,023	205,886	86,137	43,459
DEC.	293,909	213,739	80,170	46,380
JAN. 1986	297,704	212,097	85,607	38,828
FEB.	297,423	213,590	83,833	38,423
MAR	298,885	218,742	80,143	38,361
APR.	300,309	221,789	78,520	39,355
MAY	310,364	230, <i>2</i> 76	80,088	40,584
JUNE	314,598	234,938	79,660	41,715
JULY	313,976	232,718	81,258	40,839
AUG.	322,648	239,498	83,150	42,204
SEPT.	326,967	243,295	83,672	39,435
OCT.	329,955	244,066	85,889	41,129
NOV.	326,538	243,300	83,236	41,241
DEC.	325,948	252,899	73,049	43,125
JAN. 1987	333,719	257,734	75,985	47,370
PEB.	337,325	<i>2</i> 63,186	74,139	47,896
MAR.	337,133	262,702	74,431	48,749
APR	349,763	269,578	80,185	50,912
MAY	355,445	276,216	79,229	50,830
JUNE	351,253	272,186	79,067	50,293
JULY	347,421	268,049	79,372	48,665
AUG	347,916	270.454	77,462	47,891
SEPT.	360,174	280,848	79,326	49,390
OCT.	361,123	279,956	81,167	48,937
NOV.	354,012	273,760	80,252	47,246



# Lifted by the crash

Continued from page I

more of a segmented market, ers seek lower yielding paper. Credit quality concerns have pushed the paper from the lesser rated or non-rated bor-

investors. Those with the dis-rowers increasingly on to the cretion to invest in both mar-books of banks, which usually kets, such as central banks or require yields firmly fixed over offshore funds, will naturally Libor. At the high quality end, prefer higher yielding Euro- it has often been borrowers pean paper. other than investors which Over the past year, the ECP have acted as the constraint on market has, if anything, become issuance, as more fund manag-

> The prospects for the year ahead suggest more growth, paper markets.

Last year, the yen commercial paper market was established and markets in other curren cies, such as sterling, grew respectably. With the increasing maturity of the ECP market in dollars, a range of interesting opportunities has been opened up for both borrowers and lend ers in the world's short-tern

and more choice for investors

#### Yields: US v Euro-commercial paper (S) Slx-month Three-month One-month US commercial paper Euro-commercial paper Source:Merrill Lynch

Euro CP: an overview

# Confidence is growing though snags remain

BY ANY standards. Eurocommercial paper's rapid growth into a \$50bn market is impres-sive. It has more than doubled in size in a year and half - a period in which the dollar has been an unpopular currency for European investors.

Moreover, it appears to have developed a stronger investor base willing to buy and hold. Arguments over whether the paper should form a liquid trading market have been decisively won by those believing in issuers have become more confident about the placing power of dealers: witness Swe-den's switch from a tender canel to a dealership system.

Clearly, the market still has problems. Some borrowers, notably the influential General Motors Acceptance Corporaion, have become disenchanted with its interest costs. The ECP market's continued tie to London interbank rates threatens its long-term future.

quality of statistics published on the market remains inadequate. Even allowing for a good deal of hyperbole on the part of deal of hyperbole on the part of case. There are clearly many the dealers, the published data borrowers for whom ECP has do not appear to reflect market proved a satisfactory instruevents. For example, a widely reported surge in issuing vol-ume after the October stock market crash has not been reflected in the figures. Either they are wrong, or they do not sufficiently explain what is actually happening.

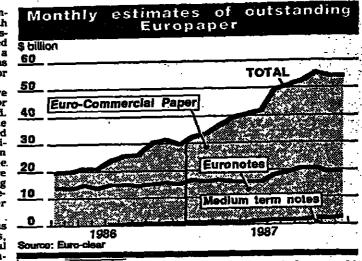
Thirdly, the small differentiation between yields obtained by the best and worst credits in the market suggests that there is not sufficient distinction sphere of the post-crash markets. "You can no longer judge a book by its cover," says Warren Spar of Shearson Lehman Brothers International.

Despite all this, the ECP market is attractive to a wide range of borrowers, for a variety of reasons. Mr David Wesselink, chief financial officer of Household Financial Services, an lili-nois-based finance company, is probably typical of many thoughtful treasurers of compa-nies with global aims when he says that the goal of his pro-gramme is to get the company's name better known among

cannot be indifferent to price, Though there are commercial and that the long-term aim to paper markets now in several get the lowest possible costs, currencies other than dollars, but that "we take a broad view they have not yet shown the of our whole involvement growth of dollar ECP. Most of rather than seek the last basis point in each market." point in each market."

days after the crash, Swedish other currencies must be enor-paper sold at 32 basis points mous, however. It is perfectly

吊



as an alternative to US Treasury bills, and so look at the A second problem is that, interest costs against bills despite some advances, the instead of interbank rates.

probably makes it a special

Attempts to wean the corpo-

#### **Published statistics** remain inadequate

interbank rates, which are obvi-ously heavily influenced by market perceptions of banks' between credit risks. No doubt a Penn Central-type accident will sort this out one day. There is probably not yet sufficient belief in ratings, though these have been given a boost in the credit-conscious atmoexactly and so have not yet developed into anything that could be used as an independent benchmark such as the US traditionally conservative Japanese investor base. Both domestic and Euroyen commercial paper has been introduced, but it is too early to draw any conmarket has.
In the absence of a corporate

ECP benchmark independent of interbank rates, there is a danger in the longer run that a rise in dollar interest rates could widen the gap between US domestic and Euro commercial paper rates and make ECP an extremely unattractive vehicle Much of the ECP market's

recent growth has been due to packages which tie in a currency swap or spot-and-for-ward foreign exchange contract uropean investors.

to provide maximum flexibility
Mr Wesselink says that he to both borrower and investor. point in each market.
Other borrowers, like Sweand do an accompanying curden, can borrow at extremely
attractive rates — during the
The scope for expanding into borrowers to issue in dollars The scope for expanding into

below the London Interbank possible that windows could Bid Rate (Libid). Investors in appear, for example, in sovereign paper tend to see it Euroyen so that paper could be issued and swaps done even though the borrower's need is actually in dollars.

167 807 807, - -116 127

Ms Řosemary Carawan, of Others are less satisfied, Swiss Bank Corporation Invest-though GMAC's sheer clout ment Banking, believes that the development of non-dollar ECP is "the single most exciting thing" shead for the market. Mr Len Harwood, of Citicorp Investment Bank, who is already forecasting a doubling in the size of the market to over \$100bn this year, believes that if the major swappable currencies, such as Deutsche Marks and Swiss francs, were avail-able for ECP issues, the market could triple in size within a

greatest unknown quantity is the Japanese. A few Japanese paper has been introduced, but it is too early to draw any conclusions about those markets

Market participants are puz-zled by the Federal Reserve Bank of New York's assertion that, on average, ECP is held for only half its maturity. Some dealers say this may be true of sovereign paper which, being Treasury bill-related, is more likely to be seen as a liquid money market instrument. Paper sold through tender panels may also have a tendency to

be less firmly placed.
But the major dealers put hands on hearts in saying that less than 5 per cent of the com-mercial paper they sell comes back into the market before maturity, and that the percent-age is falling. Kevin Regan, of Merrill Lynch, believes the Fed figures are distorted, because paper is often transferred between clearing system accounts during its life without its ownership changing.

Alexander Nicol

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#### **COMMERCIAL PAPER 3**

Euro CP: David Waller discusses the issuers

# **Three-way benefits**

GENERAL MOTORS Acceptance
Corporation is the world's largest issuer in commercial paper markets. With outstanding issues amounting to some \$400n, its borrowings by this method are roughly equivalent to those of all the 600 or so borrowers on the Eurocommercial paper market.

Atthough small when company to the state of the state

Although small when com-pered with the US market where outstandings amount to some \$350bn - the Eurocommercial paper market has achieved a degree of maturity. This is reflected in the spread of issuers who have chosen to avail themselves of RCP. evail themselves of RCP.

The market boasts represen-tatives of the three main categorles of borrower: sovereign states, corporations and banks.
Issuers from each of these categories use ECP for different
reasons, paying different rates
of interest and attracting dif-

of interest and attracting dif-ferent categories of investor.

According to Merrill Lynch, there are are approximately 40 sovereign or quasi-sovereign issuers, ranging from the king-doms of Sweden and Denmark to government agencies such as the Australian Wheat Board.

There are some 375 corpo-rate issuers, including large US companies and utilities who use ECP as an extension to their IIS

ECP as an extension to their US commercial paper programmes, and Europe-based multination-als such as British Petroleum, Norsk Hydro or BASF.

The remaining issuers are the banks and other financial institutions, numbering perhaps 200, who use ECP as an alternative to traditional interbank funding methods.

Countries tend to use ECP for balance of payments reasons, and are able to achieve fine rates of interest - Sweden, for example, can borrow at as much as 20 basis points below the London Interbank Bid Rate for Eurodollar deposits (Libid). Investors tend to be central banks who treat such issues as

surrogate Treasury bills.
Naturally, companies have
many reasons for using ECP
rather than other methods of satisfying short-term borrowing requirements - such as US com-mercial paper or straightfor-

ward bank credit.
Rates payable will inevitably be at the other end of the spec-trum from those available to sovereign borrowers, reflecting the ratings accorded to corpora-tions by the two main US credit rating agencies. Paper from a company such as Rupert Mur-doch's News Corporation could

differs from the giant US com-mercial paper market in two fundamental ways. Despite the Bank of England's initiative in introducing a benchmark of representative daily rates last August, pricing for ECP issues tends to be determined by ref-erence to interest rates paid or offered by banks.

erence to interest rates paid or offered by banks.
In the US, the CP market is long enough established, and corporate cash management so sophisticated that the rate is more likely to be fixed by looking at what other issuers are achieving. This is not necessarily tied to what the banks are offering, as corporations are less likely to turn to the banks for their working capital requirements than their European counterparts, and thus the pean counterparts, and thus the rates available on CP or from the banks do not directly com-

The other crucial difference is that ECP issues tend to have longer maturities than US CP issues. In the US, the average maturity of the total portfolio is estimated to be under 30 days, whereas in Europe there is a much greater spread, with 90- or 180-day maturities being more common. The US CP market is a giant but shallow pool of liquidity into which corporations may dip at will: in tions may dip at will; in Europe, the market is smaller

but deeper.
Inevitably, discrepancies arise between the terms available to issuers on either side of the Atlantic: these tend to be exploited by the bigger US corporates as they spot windows of opportunity. But GMAC, for one, is unhappy.

The terms that we are able to agree in the US — and ground.

to agree in the US - and would like to achieve in Europe - are not attractive to European investors." says Mr Peter Clout, vice-president in charge of borrowings. "We do not offer rates priced off Libor and Libid. Whilst we are keen to diversify our investor base, we can do so in Europe only at a premium – a premium we are not prepared

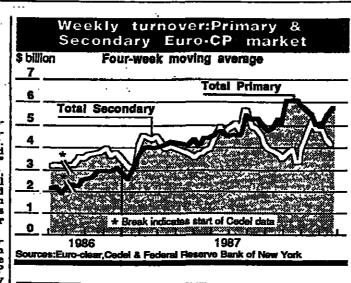
to pay."
As a result, GMAC's ECP out-As a result, GMAC'S ECT our-standings at the beginning of February amounted to less than \$150m, compared with a peak of \$1bn in September 1986. Chrysler Financial Corpora-

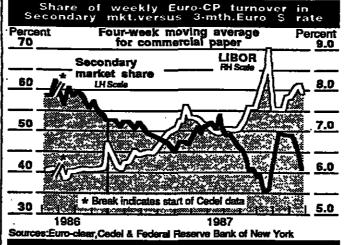
based motor receivables com-pany, tells a different story. We are absolutely delighted we are absolutely helighted with our ECP programme," maintains Marilyn Cooper, vice-president of financial sales. "We have quite a spread between our US and European issues. ECP nicely complements

our domestic commercial paper programme."

The rates available to Chrysler in Europe do not differ from those achieved in the US. The company tends to tap the ECP market on particularly heavy funding days so that rates in the US do not come under pres-sure as a result of exceedingly heavy demand. As a result conaistent pricing can be achieved across the board. Chrysler Financial's ECP's outstandings amount to \$411m at present, largely in issues of longer maturity than those in the US.
For GMAC, it is a reflection of the ECP market's immaturity that it supports different rate structures than the US. "In

time, when there is a truly global market, location will not influence our decision as to where to launch a CP pro-gramme, "says Mr Clout." Such globalisation may be a long way off, but the rapid growth of the ECP market, and its attractiveness to all types of issuers, suggests that convergence between the US and Europe is at least underway.





Euro CP: the dealers

## **Profit for the few**

MOST EUROMARKET instruments begin by being very profitable for the houses that invent them, and then the maring the market of the Euronote ships at 147 by the end of 1987 was almost double the 74 of Morgan Stanley, which came ments begin by being very prof-itable for the houses that invent them, and then the mar-gins are progressively pared and finally eliminated by com-petition. For dealers battling it out in the Eurocommercial paper market, the reverse is the

As the top half dozen or so dealers consolidate themselves as the leaders, after two years of extraordinary competition, they are also laying the basis, with a gradually evolving fee structure similar to that in the US, for the making of respectable profits.

Commercial paper is a low margin, labour intensive busi-ness. The successful players turn over substantial volume through a large core of active borrowers on the one hand and a large array of investor clients on the other. Most of them have about 20 people who are more or less dedicated to the product. Every day, they need to talk to each of their active clients on both sides of the mar-

with almost all agreed these days that it is not a trading market, there is not significant money to be made out of positioning paper – though New York Federal Reserve Bank data suggest that this still does go on, with more active secondary market trading as interest. ary market trading as interest

small commissions which are developing an accepted structure. Houses which have strong investor bases do not have to devote a large amount of capital to the business, but even so the rather business.

"Nobody is making a lot of money out of ECP," says Rose-mary Carawan of Swiss Bank

The biggest unknown is the Japanese

Corporation Investment banking. "I don't think that anybody is making any money other than the top two or three and even they only earn a few million dollars between them."

Citicorp and SBCI are the clear leaders of the field, with

the former holding the most dealerships overall but the latter gaining the most in 1987. Also ranking high are Merrill Lynch, J.P.Morgan, Shearson Lehman and S.G. Warburg. Lenman and S.G. warburg.
Important are Bankers Trust,
Chase Manhattan, Credit Suisse
First Boston, First Chicago and
Morgan Stanley, with Barclays
de Zoete Wedd and Manufacturers Hanover beginning to make
some inroads in 1987.

There are wide gaps between
these players however Citi-

rates drop. There are still many these players, however. Citi-

ships at 147 by the end of 1987 was almost double the 74 of was almost double the 74 of Morgan Stanley, which came eighth in the International Financing Review rankings. SBCI had 142 dealerships, of which more than half at 76 were obtained last year, double the 38 won by Chase, which came seventh in 1987.

in terms of actual outstand-ings, the top six probably have 60 to 70 per cent of the market. After the experiences of 1987, the clear requirement for all dealers is to demonstrate an dealers is to demonstrate commitment to the market - a difficult thing to do if you are obviously not making any money out of it. Few of Salomon Brothers' clients could have predicted that it would have completely withdrawn from the market overnight as it

from the market overnight as it

Many houses, especially com-mercial banks wanting to pre-serve corporate relationships, feel it is a business they should be in, especially as it provides daily contact with the compa-nics. The higgest unknown nies. The biggest unknown, however, is the strategy of Jap anese houses which have so far not participated in the market. Daiwa Securities now has a team which aims to be a serious contender. Given the strength of the Japanese investor base, few would dismiss their aspira-

Alexander Nicoli

tions outright.

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#### **Euro CP: the investors**

# wide appear

The early days of ECP, char-ral currency, a lot of ECP is acterised by mandate-hungry banks buying up large lines of paper for later dumping in the professional after-market, have rilled to them on a currency-hedged basis: dollar paper plus a spot and forward exchange. "About 40 per cent of our given way to the realisation that serious contenders have to

know end-investors.
Unlike the US market, where money market funds are easily the most important buyers of CP, ECP has built up a hetero-geneous following, with differ-ent quality paper going to dif-ferent types of investor. It

remains largely wholesale.
Unlike the Eurobond market, retail investors are untempted by minimum denominations of the order of \$500,000 and though some programmes - notably, one for Canada's Export Development Corpora-tion, where denominations were trimmed to \$10,000 - have been aimed at a Swiss retail

audience, the archetypal Belgian dentist is not really a factor at all. The big buyers are central banks, commercial banks, commercial banks, corporate treasurers and institutional investors.

Central banks, whose principal investment alternative is US Treasury bills, look for run dollar porfolios from which they can and AAA-rated paper. At times when ECP offers a yield pick-up over T-bills, they can bid yields down to 20 and 30 basis points through Libid.

Reavy buyers in the halcyon

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Reavy buyers in the halcyon days of wide apreads over Libor, the commercial banks are now retreating as even poor now retreating as even poor quality yields edge closer to Libor, their own benchmark cost of funds. But they are willing to perform complex credit analyses of unrated borrowers, viewing ECP as a surrogate banking asset or a tool, along with CDs and T-bills, of treasury management.

sury management.
Banks are also tending to shun CDs now, preferring to buy corporate risk in the ECP market instead, S.G. Warburg sells nearly three-quarters of its unrated, high yield paper to banks and none at all to investment managers or central ment managers or central

But corporate treasurers are the market's principal find. Initially tempted into ECP via the CD market, the decline of bank credits has accelerated the trend. The industrial majors now prefer to buy other corporate risk directly, relegating bankers to the role of agent rather than principal.

rather than principal. innabely conservative, they

with the controversy over whether the Eurocommercial yields and buy rated paper or paper (ECP) market would be driven by investors or traders now settled in favour of the placement camp, finding friendly investors is the principal preoccupation of the major dealers.

The early days of ECP char-

"About 40 per cent of our business is done on that basis," claims Rosemary Carawan at SBCI, the leading house in corporate placement.

While corporates tend not to manage their investments actively, being more interested in minimal risk than liquidity in minimal risk than liquidity or overall portfolio performance, institutional investors do churn their portfolios, selling paper prior to maturity to pick up yield. And whereas corporate liquidity tends to be cyclical, the institutions are always buying. Driven more by price than credit considerations, they dislike low-yield sovereign paper and take three-to six-month views on higher yield corporate paper. yield corporate paper.

haif its ECP abroad, has been conspicuously successful in Tokyo, where the ministry of finance now allows Jepanese institutions to buy any paper rated A2/P2 or better. Long ignored in the Euromarkets, ratings are at last beginning to intrigue ECP investors, too, with a yield differential between rated and unrated borrowers of similar status now discernible and widening.

Criticism of Moody's and Standard & Poor's, for applying US standards to European credits, is abating, and a third agency — EuroRatings, a joint wenture between Fitch and Compagnie Belge d'Assurance —

Compagnie Belge d'Assurance -

Compagnie Beige d'Assurance – now rates 107 borrowers.

Most dealers now advise a rating (costing about \$25,000), figuring that it can save at least % in yield. In fact, Hendrik Kranenburg, at Standard & Poor's in London, is surprised to find that an office set up to

Merrill Lynch

**Euro CP: the Euronote Association** is a first attempt at regulation

# Watchful on four fronts

was formally established in April 1986 by five key players in the Euronote and Euro-commercial paper markets.

Representing the first attempt to regulate the burgeoning markets, the associa-tion has not suffered because it lacks statutory authority. It has attracted a membership of over 40 banks, all of which must subscribe to a comprehensive set of rules designed to protect the end-investor as well as to enhance the efficiency of

der moi Bri:

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Libor has many advantages when different banks quote different rates

Following on from the work of sub-committees set up in December 1986, the association has taken important steps in four key areas:

■ Documentation in the origi-nation of new deals has been standardised. Borrowers and dealers believe that their costs have been lowered as a result.

■ A comprehensive list of deals in the market has been compiled. The Euronote Bookle is published quarterly and shows the status of the dealer whether he is primary dealer, market maker and so on - and is distributed to all those engaged in the market.

A third committee has been working towards establishing uniform clearance and settle-

In conjunction with the Bank of England, the Association has co-ordinated a method of compiling statistical data to record current outstandings in the market.

Following further discussions between the association and the Bank, the ECP market got its first independent benchmark. As from early August last year,

Every afternoon at 4.30 pm, on Reuter and Telerate screens. the Bank publishes investor returns on one, two, three and six month paper issued by com-panies rated either A1 or PI by the two main US rating agen-

The Bank approaches a panel of seven dealers each day for rates at 11.30 am, publishing a median rate for each maturity, based on actual deals in the primary market. The quotations are ranked and the median deal is chosen as representative.

The introduction of the benchmark was significant in that it offered the possibility of freeing the ECP market from its shackles to the inter-bank money markets. For historical reasons, the rates available to porrowers in Europe have traditionally been determined by reference to London Interbank Offered Rate (Libor).

This contrasts sharply with the US, where rates available in the world's largest CP markets are largely independent of bank and issues are priced with reference to an index published by the Federal Reserve

Although the discrepancy between the ECP pricing mechanism and US practice can create arbitrage opportunities, it is usually perceived as a hin-drance to the true globalisation of CP markets.

For the ECP market, Libor has many advantages. Different banks quote different rates, and spreads between bid and offer vary widely; furthermore the rate cited can reflect the credit-worthiness of the bank oncerned, which is of little relevance to the corporate issuer.

· According to Mr Stuart Clenaghan, executive director in Shearson Lehmann, "more and more people are taking notice".
Yet he concedes that the benchmark is consulted more out of historical curiosity than as a

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Asset-backed CP: the trend to securitisation has not left the market untouched, especially in the US

# Europe slower to lighten balance sheets

out of financial assets, such as-mortgage loans and credit card receivables, has been an important part of the changing face of financial markets in the

it is in the United States, of course, that the process of securitisation of assets has gone the farthest. More than one-fifth of the mortgages in the US have been securitised, while the creation of securities from credit card receivables and car financings is also now commonplace. The development of asset-backed commercial paper there is clearly part of

There are a multitude of reasons why the process has developed more quickly in the US. Part of the spur has certainly been the rise - more marked in the US than abroad - in the costs of financial intermediation caused both by toursharm tion, caused both by tougher capital requirements and by increased concern about bank

This has encouraged a desire among lenders to shrink their balance sheets, which can be accomplished by transferring assets to a vehicle company designed to issue securities, and has also often accomplished a

reduction in funding costs.

The process in the Euromarkets has been much slower: there has been less of an imper-ative for banks and other financial institutions to lighten their balance sheets. Apart from those deals involving US issuers in Europe, most deals have been associated with the turn-ing of UK mortgage assets into floating rate notes for sale to investors.

In the Eurocommercial paper and Euronote markets, only a handful of securitised issues have emerged. One was for Columbus Capital Corporation, a company established by Merrill Lynch, Shearson Lehman Brothers and Citicorp.
It was created to issue com-

mercial paper and make loans to a specified list of borrowers which probably would not be able to gain direct access to the commercial paper markets. A guarantee covers the first 25 per cent of losses. The company was given the top A1+ rating by Standard and Poor's and a PI by Moody's Investors Ser-

Yet, while the company has issued in the US, it has had little, if any, paper outstanding in the ECP market. Another structure was cre-



Charles Stephens: "Some programmes could be very large"

ance Company of the US. The receivables being packaged in this case were repayments of borrowings used by US compa-nies to pay insurance premiums. Because of a low loss expectation on the receivables and a number of other guaran-tees, the facility was rated A1 by Standard and Poor's.

But the collapse of stock mar-kets in October posed a ques-tion-mark for the further development of these types of securities. It seemed that in the post-crash environment inves-tors were looking for two things, safety and simplicity, and simple these instruments were not. Would securitisation go into reverse?

The indication from the US suggests that the answer to that question is no. The process does seem to have slowed, but the search for new types of receivables to convert into securities has continued. The crash has not extinguished the desire of financial institutions to reduce the size of their bal-ance sheets, and US investors have had some time now to get used to the concept. Of course, a top-rated financing vehicle is still not viewed by US investors as the equivalent of a top rated corporation, and therefore continues to pay more to issue

In Europe, investors have not yet gone through that education process, but the developments since the crash have not altered the firm expectations of several banks that a number of assetbacked ECP programmes will be in place and active by the year

The crash has intensified demand for high-rated ECP. In contrast to the market's early ated in the form of a note issu- days, it has often been borrowtop rating, a number of bankers believe the concept will get off the ground in Europe. Mr Charles Stephens, manag-

ing director with Chase Invest-ment Bank, says: "Current lenders for residential mortgages, including building societies and insurance companies, all are exploring ways of getting mort-gages off balance sheet. There is the flexibility in ECP for the issuance of a large amount of paper in this way in 1988, and some of the programmes could be very large. Even though such companies

have sterling balance sheets, the possibility of issuing asset-backed commercial paper in sterling is limited by two fac-tors. Such issuance vehicles would be ineligible under current Bank of England rules to use the sterling CP market and, in any case, the size of the sterling market is probably too small to take useful volumes of paper programme can attract a paper.

be swapped back into sterling. Since the average life of a UK mortgage is between six and eight years and the average aturity of ECP something like 70 days, there would also need to be a standby credit facility in case the paper is not rolled

The whole package could thus prove to be more profitable for the arrangers than the traditional ECP programme. But it is an area where commercial banks, rather than securities firms, appear to be showing the most interest, since they believe they are best equipped to pro-vide all elements of that pack-

The process of financing UK mortgages using the ECP market is much further advanced than for other types of ladding than for other types of lending although there is no physical reason why receivables from

Using the ECP market would credit cards should not be require the dollar proceeds to financed in the market.

However, the securitisation of bank assets such as these has drawn the attention of the Bank of England, which is keen to ensure that, if any risks are left with the bank selling the assets, they are recognised in

A consultative paper issued by the Bank in December seems to interpret the question more strictly than the US Federal Reserve, for example. The Bank has been taking comments from commercial banks on the paper, and some are certain to criticise it for being over-restrictive.

Clearly, until the Bank's final deliberations are published, there is little prospect for the securitisation of any UK bank

Stephen Fidler

The Euronote market

# Less fashionable, still useful

credit.

geover in the last few years, it is now clear that Eurocommercial paper has superseded the Euronote as the method of issuing short-term notes preferred by most borrowers.

ers rather than investors that

have placed the limitation on

issuance of top quality paper in

recent months. Provided that

an asset-backed commercial

Euro-clear figures show that while the amount of Euronotes outstanding increased by about 22 per cent in the 18-month period to September 1987, when it stood at \$18.27bn, Eurocommercial paper out-standing rocketed to \$33.6bn from a mere \$4.5bn in March the previous year.

Yet the Euronote, a term used to identify short-term paper in underwritten form, should not now merely be written off as a primitive stage in the evolution of Eurocommercial paper. On the contrary, bankers still see it as having a role in two key

First, the tender panel mechanism, under which a group of banks combines to bid for paper issued under note issuance facilities, enables new borrow-ers to identify those banks which are likely to be the most diligent dealers in their commercial paper. Second, the mechanism is still a valuable tool for lesser-quality borrow-

The main reason from the the decline of the tender panel as a note-issuing mechanism is that it is increase, mining involves the borrower giving of intent to issue paper, which then has to be circulated among the panel.

And if the group comprises any

power, it can distort the sec-ondary market as paper, once issued, is dumped by bidders which cannot find other buyers.

It is an awkward method from the banks' point of view since it means, as one banker put it, "we were constantly busting a gut to bid for paper without any means of knowing whether we would get it or overheads has led an increasing number of panel members tacitly to opt out of programmes in which they are involved.

Enrocommercial paper, by contrast, is administratively. simple both for borrowers and banks, since it involves appointing a much smaller group of specialist dealers through which all issues are channelled. The dealers are far more likely to be committed to placing the paper, so issuance should be much more in tune with investor demand.

So an increasing number of borrowers have dropped using panels for note issuance, although the process has often been subtle. For instance, documentation has sometimes been adapted so that the borrower has the right to access the tender panel, and also deal directly with banks. Last year, an increasing num-

ber of British companies put in place multiple option facilities to replace existing bank lines with cheaper funding off banks' balance sheets.

for commercial paper as well as general funding; and the ability to seek bids for advances and acceptances through a tender panel, of which members need not be underwriters of the writing banks.

"There was a trend last year for companies to put multiple-option facilities in place, but then to restrict panellists to bidding for advances and acceptances," says Mr Keith Glover, head of loan syndications at National Westminster

However, a number of borrowers have made use of tender panel facilities to establish which banks are most likely to be able to place their commercial paper, and the panel has continuing attractions for newer borrowers in this

For instance, back in 1984, Sweden set up a Euronote facility with a panel that was originally 60-strong. The panellists were progressively whittled down as Sweden got the measure of who were the most committed members. Finally, last November, it appointed just five dealers to handle the Eurocommercial paper programme that emerged after it had modi-fied the documentation of the existing facility.

The other continuing attraction of note issuance facilities is that they are a much safer route for lesser quality names: where Eurocommercial paper is issued without backstop facili-Typically, these facilities con- ties, the borrower is highly tain an underwritten credit exposed to a change in inves-which may act as a backstop tors' views of its credit quality.

other hand, he at least has the assurance of an underlying commitment from the under

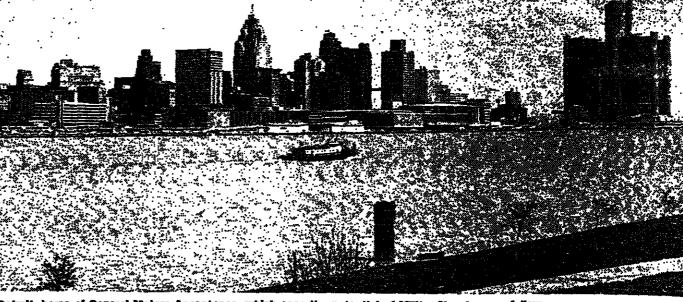
Increased nervousness among investors about credit quality. following last October's stock market crash, could boost the attractions of Euronotes from this point of view. But bankers disagree about whether the crash has had this effect.

For instance, Mr Tony Rhodes, of Bank of America, says that, overriding the credit concern issue, the crash had a beneficial effect on the commercial paper market, since it induced investors to shorten the maturities of their portfo On the other hand, Mr War-

ren Spar, of Shearson Lehman Brothers International, feels that unrated borrowers will find it harder to tap the Eurocommercial paper market. Investors have definitely been leaning more heavily on rat-ings," he says.

Mr Peter Costes, tressurer of C.H. Beazer, takes the view that though large numbers of UK companies now have access to the commercial paper market, they are often precluded from selling Eurocommercial paper if they are not rated, and not household names on the Continent. For them, underwritten facilities may continue to be the most appropriate method of

Clare Pearson



which sees the potential of MTNs. Chrysler may follow

Medium-term notes

# Higher risk, greater reward

MEDIUM-TERM notes have been thought of, for several years, as the way of the future for the Euromarkets. Inevitably, they are taking a long time to establish themselves, but bankers remain confident that they could eventually become a very large and profitable mar-

MTNs may be seen as an out-growth both of the commercial paper and the bond markets. They are continuously offered through dealers, like commercial paper, but for longer maturities. If it works properly, issuers post rates constantly, and investors have the chance to nick any maturity and interest rate structure, depending on their needs. Flexibility is the

Though the disparate maturities mean that there is unlikely. to be any real trading of MTNs, and though each piece of paper has in theory been designed to meet the investor's requirements, liquidity is obviously important. It means that the lealers must have the capability to buy back the notes at fair prices should investors want to sell them.

That, in turn, means that the dealers must have very strong investor bases and must also be ready to devote a fair amount of capital to the business. By

risk means that the rewards are greater than in commercial in the nine month to three-year range. This is appealing not only for investors but also for paper: commissions are already fairly standardised and range from % per cent at the shorter end up to % for five years, even though the paper should ideally never be on the dealer's books.

There are several reasons why development has been slow. Dollar-denominated securities have not been popular. Perhaps more importantly, investors in Europe do not yet have the sophisticated portfolio management techniques which have allowed the MTN market to grow to some \$50bn in the US. US institutions employ matched-funding techniques tying the income stream on their assets to their outgoings, for example to pensioners. They therefore have a need for paper of maturity specific to

In Europe, as Keith Elliott of S.G. Warburg observes, "inves-tors are not used to getting what they want." Whether they will develop matched-funding to any extent must remain in doubt, but it seems a fair bet they will develop demand for greater flexibility than is afforded by the Eurobond mar-

In particular, MTNs fill a gap

borrowers, especially finance companies with fairly short-ma-

Attractive pricing has enabled General Motors Acceptance Corporation, which will not borrow in the Euromarkets unless it can get a better rate than on the comparable US instrument, to build up more than \$1.1bn in Euro-MTN outstandings, making it by for the than 31.10m in Euro-min our-standings, making it by far the largest issuer and providing an important seal of approval. It sees greater potential in the MTN than the commercial paper market in Europe.

Although many borrowers have set up the ability to issue MTNs, few have actually done so. Pepsico was the earliest so. repsico was the earnest large issuer. Spain has about \$250m outstanding. Other issu-ers such as Nationale Nederlan-den, Nordic Investment Bank, and the Federal National Mortand the Federal National Mortgage Association have dabbled.
Overall, the total market is probably no larger than \$2.50n, But there are many programmes in the wings, including one from Household Finance and another from Chrysler and another from Chrysler than to the first house for the next purchase. and another from Chrysler return to the f Financial, which is among the next purchase, largest Eurocommercial paper

A variation on MTNs has been developed by Merrill Lynch and not copied by any other house. Merrill insists, however, that its multi-tranche tap programmes have been a success and have provided consistently cheap funding for the borrowers.

Instead of issuing in any form, issuers set a tranche with a specific coupon and a set maximum size. The aim is to provide greater liquidity, since investors know that there will be a pool of paper fungible with what they hold. There is also a firm margin to Treasuries or gilts. Merrill acknowledges that flexibility is sacrificed but believes its structure has a role alongside regular MTNs, in which it also participates.

which it also participates.

Mr Elliott, of Warburg, believes that the liquidity of the MTN market will be ensured by necessary self-discipline on the part of the dealers. If a house fails to offer a fair repurchase price to an investor wishing to sell, that investor will offer the same piece of paper to another house eager for the business. The investor probably may not want to return to the first heat.

Alexander Nicoli

#### **COMMERCIAL PAPER 5**

Clearing systems: there are four serving the Euro CP market

# How the Continentals beat London on its home ground

are the muts and bolts of the burgeoning Eurocommercial paper (ECP) market. Few would argue that it is glamorous work. "It simply means matching buys and sells, moving money in one direction and securities in another," explains Trevor Thomson, man-ager of the First Chicago Clear-

ing Centre (FCCC) in London.
Yet, in the early days of the market, the settlement and clearing functions - essentially paying for securities, holding them on behalf of investors and recording transfers between them - were fiercely contested by four independent clearing

FCCC, the leading clearer in the London certificate of deposit (CD) market since 1976, hoped to build on this dominance in the nascent ECP mar-ket. Chase Manhattan, another bank active in London money market cienrance, was siso a

Stephen Page

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But both now agree that the two continental systems set up to serve the off-shore Eurobond market - Cedel in Luxembourg, and Eurocclear in Brussels. and Euro-clear in Brussels -have emerged as clear winners. By its own estimate, Euro-clear alone now controls over a third of the primary market in ECP and two thirds of all ECP trans-actions, building on its strong 2,000-plus client list in the Eurodollar bond market.

The outcome was part accident, part technological. The bankers who designed the prototypes for the ECP market -Revolving Underwriting Facili-ties (Rufs) and Euronotes were frequently drawn from established Eurobond departments, and naturally gravitated towards clearing and settlement systems they knew and under-

But the London systems, rooted in the physical delivery of securities, were unable to compete in terms of cost, efficiency, reliability and security with systems based on book entry transfer (BETs), whereby the securities remain in London bank vaults and transfers are recorded electronically in Brus-

retain some residual clearing business in the ECP market, their principal role now is to act as depositories for the con-tinental clearers. They formally recognised this switch to Europe in 1986.

In July that year, Euro-clear appointed FCCC as depository for its ECP business; Cedel announced similar links with Chase Manhattan (and Citi-bank) in London; and an elec-tronic "bridge" was built between Euro-clear and Cedel to facilitate transfers between the two clearing systems. The

tors - in some cases reinforced by in-house rules - still regard definitives as essential evidence of good title in cases of default, or where notes are used as col-

lateral.
In fact, most certificates never leave the bank vaults. Euro-clear calculates that less than 0.5 per cent of the \$33bn of outstandings it holds was physically delivered. In most issues, a single large denomination global note, owned by lots of investors, is held by a depository bank on behalf of the two clearing systems, with transfers

Euro-clear or Cedel account.

both definitives and globals

Like definitives, a universal note is a bearer security, but it

is not security printed and can-

not be delivered outside the

Where physical delivery is

required, a definitive replaces

it, though the requirement to do so has been substantially

reduced following FCCC's

A typical transaction now

An issuer calls his dealer for

rates. If they suit, he instructs

registered in the issuing agent's

own account, from whence it is credited to the accounts of the dealers who bought the paper,

First Chicago bank vaults.

not be cleared in Cedel.

in essence, ECP issuance, custody and payment is located in London, but clearing takes place in Europe

odic requirement for physical BETs. Definitives are delivered delivery between Chase and only where a client lacks a

With most paper firmly placed at the outset and little secondary market activity, many participants expect ECP to become an entirely paperless market by the 1990s. Euroclear cites weekly primary mar-ket turnover of \$7.37bn, against turnover of only \$3.96ba - and falling - in seasoned paper.
As Euro-clear and and Cedel

strengthen their grip, the paper chase can be expected to tail off, but one upshot of the tusale between the London and continental clearing houses was a proliferation of instruments. Most ECP is still security printed in definitive, bearer form - a must when notes were physically delivered to banks around the city by uniformed messengers, but now regarded by settlement professionals as expensive, insecure and hard to

"We all know stories of mes-sengers wandering around the city and leaving paper at the bookies or in their back pocket sels or Luxembourg.

In essence, ECP issuance, custody and payment is located in London, but clearing in Europe.

and going off sick for three days, "recalls David Carter, a vice-president at Cedel in London. They persist only because. days, recalls David Carter, a dealers who bought the paper, vice-president at Cedel in Lon-

The dealers subsequently transfer paper - again for delivery against payment - to the accounts of the end-investors. Definitive certificates remain in a bank vault in London, for physical delivery only to investors without Euro-clear to investors without Euro-clear or Cedel accounts, where they simply own part of a global

The only real competition ne only real competition now is for the issuing and paying agency business — issuing notes at the outset and paying them back at maturity — since this is the only part of an ECP transaction still awarded on price alone. Banking relationships count for less than a keep ships count for less than a keen price and a system able to han-dle heavy volumes. It is dominated by First Chicago, Chase Citicorp and MGT.

Settlement has proved a more contentious area than clearing. Unlike the United States, where CP is issued, cleared and paid for on the same day, ECP is settled within two days: deals struck on Monday are paid for on Wednesday.

This is handy for investors Because global notes attract
UK stamp duty, they were not an option that Chase or FCCC lands issuers toying between an could offer. FCCC developed instead a universal note, which aims to combine the benefits of the US domestic market with a two-day interest rate risk. Recognising this, some clearers now offer same-day settlement. FCCC, which has settled CDs on the same day since 1981, extended the service to ECP in 1985, though paper has to remain inside the First Chicago system throughout. Anticipating a general move in the mar-ket towards same-day settle-ment, Cedel followed suit early

appointment as a depository to Euro-clear. Universal notes can-"Cedel anticipated that arbitrage might develop between the Euro and US CP markets," argues Carter; but his competitors disparage a system that requires instructions to be subtted to the system first thing his issuing agent to give Euro-clear and Cedel details of the new paper. They allot a secu-rity number, and the paper is in the morning. And until switching between the US and Euro markets becomes habitual, there will be little pressure for same-day settlement, which is unsurprising in a market whose principal alternative is still CDs.

Dominic Hobson

#### **Sterling CP**

# A healthy niche operation

said it would allow sterling commercial paper for the first time in 1986, there were plenty of scoffers ready to character-ise it as the market that nobody borrowers or investors

But for all the doubts that attended its inception, the ster-ling CP market has achieved steady growth since the first programmes were arranged in May 1986.
On the borrowers' side, a

landmark was reached at the end of last year, by which time 50 out of the constituent com-panies of the FTSE-100 index had arranged programmes. Meanwhile, by the end of last November, it was four times as big as it had been at the end of 1986, with total outstandings reaching £2.34bn.

During the same period, it had proved its ability to attract non-bank investors. At the end of November, only £715m out of total outstandings was held by the monetary sector. Nevertheless, sterling CP issuance remains tiny compared with the bankers' acceptances

market. And the scope for further growth at least under current regulatory and economic conditions is limited: Mr Keith Elliott, a director of S.G. Warburg, says it is unlikely to exceed £6bn in size.

Meanwhile, the number of players in the market is widely expected to contract. Of the 20 or so banks that claim to be dealers in commercial paper at the moment, only about five are expected to survive, with the lion's share of the business becoming increasingly concentrated in the hands of the top

At the time of its launch, sceptics pointed out that borrowers aiready had a number perfectly adequate short-term financing options. In particular, they were able to obtain highly attractive rates in the acceptance market, which was effectively subsidised by

the Government.
This was because, prior to its abandonment in October 1985, the Government's policy of overfunding the public sector borrowing requirement through the sale of gilts created a surplus which was then invested

Since the policy of overfunding was abandoned in October 1985, however, the so-called "bill mountain" has decreased. At various points since then, heavy sales by the Bank of



Keith Elliott: does not expect issuance to exceed £6bn

England have raised yields on acceptances to the point where commercial paper has become a more attractive option for borrowers, especially in the 30-day

Over the last year, the relationship between eligible bank bill rates and sterling CP rates has been highly volatile, creating opportunities for borrowers to arbitrage between the two markets.

However, bankers are keen to point out that issuing patterns so far do not bear out the view that borrowers are taking a merely opportunistic approach to issuing sterling CP. It is clear, Mr Elliott claims, that companies have been issuing on a longer-term view, since they are well aware of the advantages of building up a source of short-term finance disintermediated from the banks. This has also fuelled their purchases of other corporates' paper.

Though Warburg estimates that about 60 per cent of its sterling CP sale is to corporates, the market's appeal to investment managers is grow-ing (building societies are not permitted to buy CP). A survey of investors conducted by Midland Montagu, prompting about 200 replies, at the end of last year showed 78 per cent of non-corporate investors expected to increase their holdings, against 25 per cent of corporate buyers.

But at the moment funds that are in straight bank deposits and are capable, as an alterna-tive, of being invested in sterling CP amount to a maximum of £7%bn, according to Mr Ell-

However, changes in building ocieties' funding could potentially increase the pool of money available. Increases in the building societies' scope for funding themselves in the wholesale markets could release retail deposits currently

held with them. These deposits could in theory be channelled into money funds, which would then invest them in sterling CP. Midland Montagu's survey showed that, despite the range of other short-term instruments that investors can buy, they are becoming aware of the attrac-tions of sterling CPs' particular characteristics, especially the fact that it allows for non-standard maturities. The survey showed 88 per cent of those who had purchased sterling CP had done so to broken dates.

Bankers are not, however, hopeful about the scope for attracting more foreign inves-tors, whose investment in ster-ling CP is negligible at present. This is partly because non-sterling based buyers taking a view on the currency are far more likely to buy much more liquid short-dated gilts. Additionally, it is still relatively inefficient to

swap out of sterling.
One factor which seems to be limiting UK investor demand at the moment is the dearth of credit ratings among issuers of CP. Midland Montagu's survey showed that 57 per cent of respondents said they would invest only in rated paper, even though it is so short-dated. Yet only between 15 and 20 per cent of issuers so far have formally obtained ratings.

One reason for this is the

aggressive rates on short-term instruments such as certificates

London – in contrast to the US. Since clearing banks pay interest at only a few basis points below London Interbank Bid Rate, this leaves much smaller scope than in the US for differborrowing costs, according to

credit quality.

As far as the potential for growth on the supply side of the market goes, the most onerous constriction at the moment is the Bank of England's requirement that issuers must have a London listing. But there are hopes that this will change and that the Bank will allow issuers with a listing on a recognised stock exchange. "There is a genuine possibility this will be reviewed in the coming year," says Mr Charles Mitchell

One thing is clear, whatever the rate at which the market expands: it will always be far too small to support the current number of would-be dealers. At the moment, its unprofitability is notorious. As Mr Charles Mitchell, of Midland Montagu, puts it: "Taking sterling CP in isolation, it is virtually inconceivable anyone can be making

any money out of it."
Even imagining that each of the 20 or so dealers has just one person dedicated to the market, this gives a total over-head of about \$2m a year, while the profitability of the market amounts to a mere \$1/2m

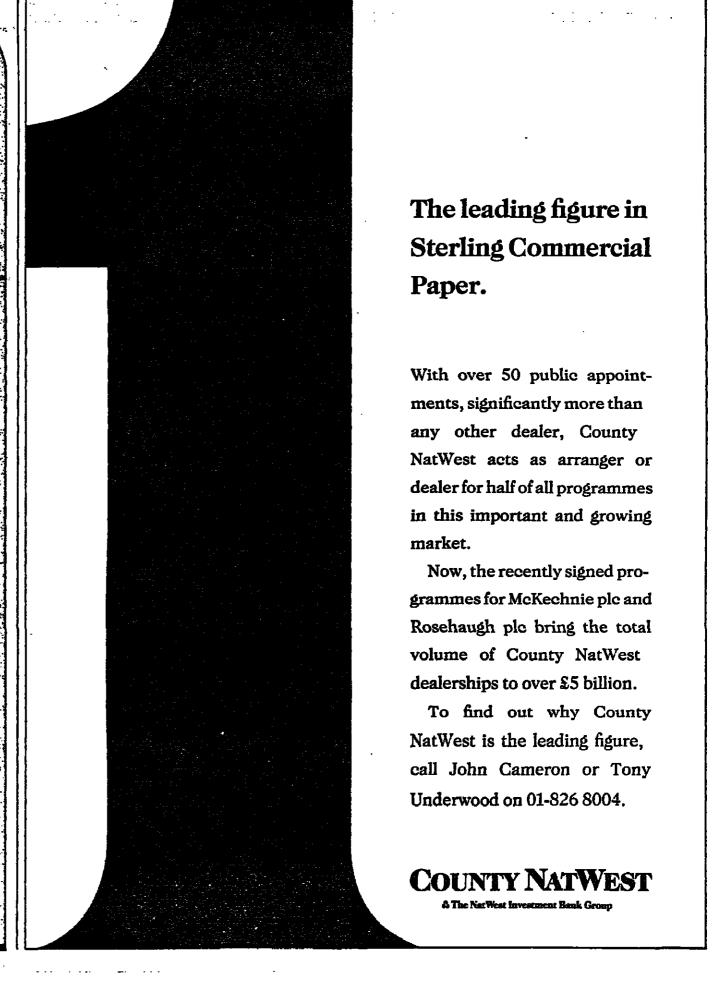
per year.
The list of players already looks extremely top heavy. International Financing Review figures for all dealerships to the end of 1987 showed the three biggest dealers in sterling CP and CDs - S.G. Warburg, County NatWest, and Barclays de Zoete Wedd - claiming about 45 per cent of the market in

The next four players. Midland Montagu, Morgan Grenfell, Lloyds Bank and Kleinwort Benson, accounted jointly for about 37 per cent of the mar-ket. But the gap between the fifth and the seventh player's share of the market was aimost 100 per cent.

So it is hard to imagine sterling CP ever turning into more than a niche operation for the British banks. Nevertheless, the market that "nobody needed" has at least proved itself to be up and running as a viable addition to the range of sterling

Clare Pearson

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THE DOMESTIC MARKETS

CPs only as recently as last to investors.

opening day. The big trading

houses account for about half

the total, with Mitsubishi Cor-

poration alone accounting for

The CP market has got off to

a better start than many had expected, given its restrictive

rules. Domestic issuers are limited to 180 blue-chip companies

that are eligible to issue unse-

cured corporate bonds, with 30

of them required to have their

issues backed by unused bank

Only institutional investors

may buy the paper. The mini-

mum denomination is Y100m

and the maturity period has to

be between one and six months.

All issues have to be made

IN JAPAN, yen commercial through either a bank or a secu-

paper is in its infancy. The rities house. Unlike a practice

ever-cautious Ministry of favoured by the best borrowers

Finance first allowed Japanese in the US, companies are not

companies to issue domestic allowed to sell their CP directly

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CP has made a better start in Japan than many had expected, but -

# The rules need to be eased

By the end of January, the domestic CP market to start as market had been tapped by a first step towards fulfilling more than 40 issuers for an estimated Y2 trillion (million short-term money market for short-term money market. CP million), up from Y790bn on the also broke new ground, being opening day. The big trading the first new financial instrurivals. Competition between the two was hard-nosed from the ment in Japan in which domes-

Neither banks nor securities companies are making much, if any, money from CP yet. Early issuers, such as the big trading houses and the electricals giant Hitachi, got paper-thin rates of 3.8-3.9 per cent for three month to which all investment trusts issues - against the then rates and mutual funds, which had deposit (CD) of 4.3%.
The securities firms pitched

much the same as loans and discounts on the best bills. The banks argued that CDs should be the benchmark, accusing the securities companies of only being able to get away with to create money-market fund lower rates because they could clones).

have had to share the new mar- arm-twist their investment ket with their commercial-bank trusts to buy the issues, which would otherwise be unattractive to investors. Banks were forced to issue less paper or warehouse it themselves.

However, there was a limit on how far the securities companies could stuff their own investment trusts with cutprice CP. There was a limit, too, to which all investment trusts for a three-month certificate of been expected to be the big users of CP, would accept low rates. That limit is imposed by the issues they handled at rates the Ministry of Finance, which ruled that fund trusts can only hold up to 10 per cent of their cash position in CP (a regulation which also means that CP is a long way from being used

around 4.1-4.2 per cent, but the banks are still hurting. Some industrial companies have found that they can borrow cheaply by issuing CP and lend dear by putting the funds raised on deposit at the banks. Interest rates on large-scale time deposits are currently 4.5-4.7 per cent.

Even after deducting steep issuing costs, of which the bigpart is stamp duty (Y150,000 on a Y1bn issue), companies are still left with a profitable and risk-free way to zaitech. Companies are restrained from doing this too enthusiastically so as not to strain relations with their bankers, but some city banks are said to be offering their

at negative interest rates to nip this practice in the bud.

While the city banks have found themselves undercut by the securities companies, they are in turn squeezing small and medium-sized regional banks who have been seeking increasingly to take their corporate customers, but who cannot afford to compete in this particular price war. In fact, as CP rates move above inter-bank bill rates, the city banks are finding a market for CP among the regional banks, and one in which the securities companies' marketing is weak.

The city banks as a group now account for 60 per cent by value of CP issues underwritten, with Mitsubishi Bank, have mum denomination of V100m, industrial clients time deposits ing the largest market share but the tax considerations are

lowed by the Sanwa and Fuji banks with about 7 per cent each, and then Sumitomo Bank. The four big securities companies account for the rest, with Nikko Securities being the biggest underwriter among

them: it has about a 10 per cent overall market share. The Ministry of Finance will review the CP market after

about a year. Many of the present restrictions are likely to be eased, and a rating system to qualify issuers introduced to expand the pool of potential issuers, to include such as nonbank financial institutions. Aiready, since the end of January, foreign companies have been allowed to tap the Tokyo

ufacturers listed on the Tokyo Stock Exchange. More than 50 of the 90 foreign firms listed on the exchange qualify.
Samurai CP, like domestic CP, will have a maturity of between one and six months and a mini-

market. Eligible firms are man-

among them with some 12.5 per likely to make this a relatively cent of the overall market, fol- unattractive market for any save those who need yen working capital in Japan. Dow Chemical is the only issuer to have sought approval from the ministry of finance. A more tax-efficient elterna-

tive for issuers who would want to swap the proceeds into other currencies would be the Euroyen CP market. This was anthorised for foreign compa-nies on the same day as the domestic CP market was per-mitted for Japanese ones. The ministry has so far approved seven issues, including several

multi-currency packages.
From April, Japanese firms
too, will be allowed to issue Cr in foreign markets, either in yen or foreign currencies. But restrictions on purchasers in Japan (institutions are only allowed to resell after a minimum two-week delay) will have to be eased if experiations of this being a brighter market than domestic CP are to be ful

West Germany

The ministry allowed a

tic city (national commerical)

banks and securities companies

underwriters. Commercial and

investment banking are legally

separated in Japan, as in the US, though the barriers are

banks had enjoyed a monopoly

over short-term financing in

Japan. CP can be likened to a

securitised overdraft, so they

panies a way into short-term

financing. But because the

finance ministry defined CP as promisory bills, rather than securities, the securities firms

have given the securities con

Before the arrival of CP, the

starting to crumble.

could compete directly as

# Thwarted by the tax

as though the debate over a commercial paper market in West Germany was about to take a dramatic turn. A leading US house was making good progress towards getting round the tax hurdle that makes CP CP tends to split German

bankers down the middle. Some argue that there should be a market but recognise that there isn't. Others, probably the majority, do not even accept that a market is necessary. Where both groups agree is that CP does not exist at pres-ent. Nor, following the demise

of the latest plan, does it seem likely to appear on the immedi-The obstacle remains the Boersenumsalzsteuer - the stock exchange turnover tax levied at 0.1-0.25 per cent on all secondary market trading of securities. Trading between recognised "credit institutions" (ie banks) is exempt, but the tax still bites on the non-profes-

sional end-investor. The result is to squeeze deallack of incentive to get CP off

Bankers were hoping last five basis points above Fibor year that the Government while investors would receive would honour its January 1987 election pledge and drop the tax. However, that has not come about, largely because other issues have taken precedence. Moreover the tax's DM800m-odd annual revenue has become increasingly valuable, given the Government's

skyrocketing budget deficit. Accordingly, some bankers ration with short-term DM funding requirements," says one US banker. The German Salomon Brothers is believed to have made good progress. have made good progress a close relationship with any

CP business meant that the German project got shelved. It is unclear how it would have been the German Laender (states), unclear how it would have been are also candidates, as are midstructured, or whether the reg-ulators would have approved, but first signs from the Bundesbank had been encouraging.

The central bank and federal regulators in Berlin have tempted, some bankers claim.

Were banks to enter into disthere would be an exchange of arguments, but I can't see any very strong arguments against on our side," says an official from the Bank.

But even if the turnover tax disappeared overnight, many bankers wonder whether there CP. Certainly, there are few immediately obvious borrowers. Many leading German corpo-rates are highly liquid at present: Siemens alone has cash

resources of almost DM20bn. Barring huge acquisitions, that is likely to remain the case, given the flaceld domestic conomy and more difficult export climate, which mean there is little sign of big new industrial investment and fund-

But even if they needed cash, many of Germany's biggest cor-porates could probably borrow more cheaply from their banks than through CP, if they have

enough leverage. One model for CP, which takes Fibor (Frankfurt Interbank Offered Rate) as the yardstick, has the borrower paying while investors would receive Fibor minus five basis points, leaving the investment bank with a 10 basis point spread.
"We reckon a top corporation

could borrow from its bank at Fibor," says one US investment banker, making CP too expensive for the borrower.

But there are other takers. "CP should interest any corpo-

single German commercial Unfortunately, its decision bank, would be an obvious tar-

"Sovereign" borrowers, like dle-sized German companies, which are not necessarily known internationally but are familiar enough at home. investors should also be

borrow because of their high liquidity, but that could make them prime investors instead. Other possible buyers are groups which could use the flexibility of CP in matching assets and liabilities, such as insurers and auto finance

Farther away is the possibility of retail buying through money market or mutual funds. The Bundesbank is firmly against such schemes at pres ent, but its views could change, Community's common financial market in 1992.

However, there is plenty of implicit opposition to CP, nota-bly among domestic banks. The product could threaten their existing tight credit relation ships with companies by giving outsiders a niche. Moreover, longer experience with Euro-commercial paper and in the UK market has shown that margins are soon squeezed. "CP has become a break-even product at best." says one Euro-

In the longer term, domestic banks might see a shift in long-term retail savings away from low interest deposits into more liquid tradable instru-ments. "What would commercial paper do for the Deutsche Bank?" asks one foreign Bank?" asks one foreign banker?

But some domestic banks are already fully aware that if turnover tax is dropped, CP will not be long in coming. According to one Deutsche Bank executive, it is the banks holding corporates' billions of Deutsche Marks in Eurodepos-

its that will first feel the pinch, rather than those with a big domestic retail deposit base Many companies will be prepared to give up a few basis points and switch to CP in view of its tradability and lower credit risk, he argues. Savings accounts may decline as a result of CP in the end, but money market funds will have

**Halg Simonian** 

<u>Australia</u>

## Bonds shortage whets appetites

AUSTRALIAN COMMER-CIAL paper markets look set for a selective revival in 1988 after a torrid end to 1987, reflecting the backwash from the worldwide

October share crash.

A number of factors are already beginning to crys-tallise, which could entice corporate borrowers into new-year issuing programs following a lean final quar-ter of 1987.

Viewed with a longer-term perspective, the domestic corporate debt market in Australia has struggled since the currency was floated and capital markets were largely deregulated earlier in the decade.

The sudden opening of the local market to international influences saw corporates and government bodies alike scramble to raise debt in Euromarkets. Heavy use was also made of swap markets, and these factors have generally limited the scope for domestic raisings by corporates.

One sign of this is that the corporate debenture market in Australia is virtually dead. The bulk of domestic corporate raisings have been through promis-sory notes, which repre-sented about 30 per cent of total capital raisings by Australian-based entitles in

1987. But the tenor of the market changed around the time of the equities crash, when a number of major corporates, including BHP. Ford Credit, Shell and the Federal Government, away from P-notes and issued medium-term corporate paper at a 1 to 1% per cent premium over the rate for long termed Federal Government bonds (now

around 12 per cent). The raisings were regarded as not well mar-

keted, but the underwriters struck it lucky because the equities crash probably brought forward what was always likely to be an across the board fall in Australian interest rates.

flight to quality in debt markets, with investors diving for bonds and banks bills, exacerbating another emerging trend, a pro-nounced tightening in the supply of bonds.

This tightness is mainly a result of the Federal Government's fiscal policies, which look like producing Australia's first budget deficit for more than a decade in the current June year. This has allowed the Gov-ernment largely to vacate debt markets where it has traditionally been a major player. Bond tenders have consequently been reduced and speculation is that there may not be another one until the second quarter of 1988.

So at a time when demand for bonds is rising, the sup-ply is limited, and investors are being forced into other types of paper, mainly the next ranking debt instru-ments, semi-government securities and corporate paper. This process helped the big corporates to get their paper away late in 1987, and has increased confidence that corporate paper will be much easier to

market in 1988. Bond markets are expected to remain extremely tight because, apart from limited supply, up to half the Australian bonds on issue are held overseas. But the expanding Australian banking sector is expected to have an increasing appe tite for quality paper, and banks could well wind up bolding a huge proportion of available bonds over the next few years.

One area of the market that is expected to grow strongly in 1988 is mort-gage-backed paper, which has slowly won greater acceptance in recent years as practitioners have become more skilful at securitising property. With the share market down, property is enjoying an improved status as an investment avenue, and mortgage-backed securities are expected to benefit from this.

Most commentators see a downtrend in Australian-based capital raisings in 1988, resulting from a general slowing of business activity because of the share crash. Even so, funds are likely to be nearly impossible to raise on equi-ties markets, and some corporates, still needing money, will be forced to look at debt. This will underwrite a certain amount of activity.

On the broader front, fig-ures compiled by the Aus-tralian Capital Markets magazine showed that total Australian capital raisings in the year to Septembe 1987 rose 14 per cent to just under A\$70m. Much of the raisings were offshore in bonds and commercial

Anstralia's major finan-cial institutions were nudged out of a lot of this business by the overseas majors. The Credit Suisse First Boston group was the leading fund raiser, putting together nearly 50 deals worth just under A\$14bn. Swiss Bank Corporation

and Salomon Bros came in next, with raisings of more than A\$10bn each, followed by Shearson Lehman, Mor-gan Guaranty, Merrill Lynch, Citicorp and Morgan Stanley. The best Austra-lian performer was the ANZ banking group with nearly A\$6.6bn in 37 deals, while Westpac and the Commonwealth Bank raised just over A\$6bn each.

# Banks close the gap

Canada

INTENSE RIVALRY is still the hallmark of the Canadian commercial paper market, after a da's spring 1987 report noted during that "the competition for bank-else — you get what you pay which the country's major chareness acceptance business encourtered banks have made signifi-cant inroads. aged some traditional commer-cial paper borrowers to finance

Since the first phase of through the acceptance mar-domestic financial services ket. industry deregulation began on Securities, McLeod Young Weir and Wood Gundy.

The market continues to expand at a healthy enough sace - the value of commercial paper outstanding at the end of last November (including sales finance and consumer loan company issues) totalled C\$20.1 bn, compared with C\$15.9 bn a year earlier. But, in the words of Mr John Usborne, a Richard-son Greenshields vice-president, "the market's appetite has not grown as fast as the numof participants selling". This has resulted in a more competitive environment for all commercial paper distributors.

The banks' increasing presence has had an impact in two ways. First, they continue to offer extremely attractive terms for the distribution of commercial and bankers' acceptance (BA) paper, seeking to capitalise on what Mr Ed Davies, of McLeod Young Weir, terms their "fairly unique access to the retail market".

"The way to develop commerrise way to develop commercial paper activity is to create move. R1 names did trade new types of borrowing for your customers, comments Mr Raymond Day, of Toronto-Dominion, widely regarded as the move is produced the usual crop of and the "difficulties" faced by new issuers, dealers say, among them Clumpia & York Siemens ket. most aggressive of the recent market entrants. Last December, T-D arranged a C\$300m facility for General Motors on one", according to one market an innovative committed fund-

aggressively marketing BAs as an alternative to traditional bank financing, offering inducements like lower stamping fees (the cost of a bank repayment guarantee) in a bid to generate business. This practice may have eaten into the commercial

Certainly, the value of C\$ June 30, the banks have built BAs outstanding has expanded up a market share widely estimated at between 15 and 20 per years. From C\$6.6bn at the end of 1981, the figure rose to ever, the market leaders remain C\$24.9bn five years later, and days".

the securities dealers Dominion to C\$30.1bn by end-November "There has been some dealers." A further factor behind the

rapid growth of BAs is that the commercial paper market is, to all intents and purposes, confined to companies with an R1 or R2 high rating from the Dominion Bond Rating Service of Toronto. This has produced an ongoing shortage of quality issuers. Dealers estimate that as much as C\$6bn, or approaching 30 per cent of paper currently outstanding, is accounted for by the Big Three US auto-makers. Being a resource-based economy, the ratings of a lot of major companies are just starting to come back," says a spokesman for one prominent

This position was for a time exacerbated in the wake of the October stock market crash, whose most enduring impact on the commercial paper market was to precipitate a flight to quality. It made our investors more credit-conscious," recalls McLeod Young Weir's Mr Davies "R2 became harder to

them Olympia & York, Siemens Electric, and Nestle. Moreover, "every new issuer except for observer, has chosen to pay the traditional one-eighth of 1 per Second, they have been cent fixed agency commission.
ggressively marketing BAs as This would indicate that, despite intensifying competi-

> value of receiving high quality service from a closed group of "If you are a larger issuer and system."
> want to put business up com-

else — you get what you pay for." "Money markets are no longer viewed as a loss leader," adds.

viewed as a loss leader," adds Richardson Greenshields's Mr Usborne.

According to Mr Ian Russell director, capital markets, for the Toronto-based IDA, how-ever, "dealers are losing money in the money markets these

retrenchment from money market dealings in response to unfavourable developments in the treasury bill and acceptance market," Mr Russell writes, in the most recent IDA report. "Since chartered banks will continue to expand their presthe operating techniques of short-term monetary policy are unlikely to change, this retrenchment will continue unabated."

Of course, since Dominion, McLeod and Wood Gundy have all in the last six months sold majority stakes to major banks, this retrenchment is to a degree artificial. Similarly, the keen competition which sparked it could well prove short-lived as the banks integrate their new dealer operations into their

respective systems. The major uncertainty is ties will tend to be consolidated into the operations of the parment dealer subsidiaries. Mr Russell's money is on the

Interestingly, Mr Day, of the T-D, whose only investment dealer acquisition so far has been of the discount broker Gardiner Group Stockbrokers, disagrees. "The dealers' advan-tage is that we have only been in this business for a year," he tion, many issuers still see the says. "I would believe that our competition in future will be with, for example, Dominion Securities using the Royal Bank

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Electronic Banking Group

<u>France</u>

# In need of ratings

AFTER TWO years of some-what turbulent existence, with the rules and the competitors changing rapidly around it, the French commercial paper market is reaching cruising speed.

Set up in December 1985, the market experienced unexpect-edly rapid growth in its first six months. The volume of outstanding commercial paper -the French use the term billets de tresorerie to distinguish it from the trade bills already known as papier commercial rose rapidly to FFr26bn.

The speed of this develop-ment worried the Paris financial authorities, and the Bank of France gently invited companies with commercial paper programmes of over FFr500m to curb their enthusiasm for the second half of 1986. Once the official go-slow order was lifted at the start of 1987, new issues once again took off. Commercial paper gained a head start, since the market opened before the authorisation

of a market in certificates of deposit, and at a time when the market in French Treasury bills was undergoing rapid transformation. Its opening also coincided with the closing of the interbank money market to a range of institutional investors, principally unit trusts and insurance companies, who have become the principal buyers of commercial paper. At the end of 1987 mutual funds held 44 per cent of commercial paper, insurance companies 14 per

tutions 17 per cent. By the end of January this year, 98 issuers were present in the market, with a total of FFr49.9bn of commercial paper outstanding. A group of 27 issu-

cent and banks and credit insti-

by Peugeot Finance, the finan-cial arm of the private sector car group, with FFr3.9bn. Many other major names in the French blue-chip industrial sec-tive major names in the sector warning was useful. tor are represented, from private sector companies like Michelin, the tyre producer, BSN, the foods group, and the privatised glass and packaging group St Gobain, to state-con-

trolled enterprises in the electronics, defence and aviation sectors such as Thomson, Aerospatiale and Snecma. Commercial paper has so far seemed to offer almost total security, and many investors have neglected the monitoring of their counterparty risks. Dealers report that they have often had difficulty persuading investors to accept paper from top quality issuers rather than from far less secure companies paying fractionally more.

The gap between top statebacked signatures and second quality names is often as little

sury bills. Commercial paper interest rates in fact relate much more closely to the money market than to the treasury bill market. Mr Jacques Desponts and Professor Catherine Lubochin-sky of the Banque Nationale de Paris calculate that a movement of I point on the three month Paris Interbank Offered Rate (Pibor) corresponds to a 0.99 point move on commercial

the state-owned railway com-pany, with FFr4.1bn outstand-ing at the end of 1987, followed shake the market when it went

corporate treasurers, who hole directly around 25 per cent of all outstanding commercial paper, had been misled by the bank back-up line that every issuer must arrange for 95 per cent of his programme into thinking that repayment was guaranteed by this bank. Many company boards, too, fail to lay down precise guidelines to their treasurers on what sorts of investment are acceptable.
Indeed, the Credit Agricole,
France's largest banking group
which had arranged the
back-up line for SFEC and

placed most of the paper with its clients, found ways of "reducing the damage to its cli-ents", while standing firm on the principal that it had no legal responsibility for the The same lack of discriminaas 10 basis points, and commer-cial paper often commands tures has been observed in the lower rates than French trea-market for certificates of deposit. Top quality issuers like the Caisse des Depots, the giant state financial institution with FF722bn of CDs outstanding, or Banque Nationale de Paris with FFr16bn, have not, in the view

of many dealers, commanded the kind of premium over smaller and less secure finance houses which they deserved. The principal lesson of the SFEC default, according to the Credit Agricole and many other operators, is the need to increase the use of ratings in the issue of paper. The Ager d'Evaluation Financiere has begun to issue ratings for commercial paper programmes, but it will be some time before it covers the whole market

paper rates. The same move on treasury bill rates ends up as only a 0.82 point move on commercial paper. But a premonitory shiver ran ers with programmes of over through the market in the early autumn when the first default FFr500m accounted for nearly 80 per cent of the total. The largest user is Societe occurred. Societe Française Nationale des Chemins de Fer, d'Extrusion et de Calandrage Bruce Jacques George Graham